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THESIS

CURRENT STATUS OF BLANKET PURCHASE
AGREEMENT USAGE WITHIN
MARINE CORPS FIELD CONTRACTING ACTIVITIES

by

William Javoroski

June 1990

Thesis Advisor:

E. N. Hart

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Current Status of Blanket Purchase
Agreement Usage Within
Marine Corps Field Contracting Activities

by

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Captain, United States Marine Corps
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Submitted in partial fulfillment
of the requirements for the degree of

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ABSTRACT

This thesis examines the use of Blanket Purchase Agreements (BPA's) by Marine Corps field contracting activities. This research examines the regulations regarding the use of blanket purchase agreements and to what extent blanket purchase agreements are used by Marine Corps field contracting activities. Benefits and problems associated with the use of blanket purchase agreements are analyzed to determine if any improvements can be made.

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TABLE OF CONTENTS

I. INTRODUCTION	1
A. BACKGROUND	1
B. OBJECTIVES	3
C. RESEARCH QUESTIONS	3
D. SCOPE OF THE STUDY	4
E. LIMITATIONS AND ASSUMPTIONS	5
F. LITERATURE REVIEW	6
G. METHODOLOGY	6
H. DEFINITIONS AND ABBREVIATIONS	7
I. ORGANIZATION OF STUDY	11
II. BACKGROUND	13
A. NEED FOR RESEARCH	13
B. SMALL PURCHASE REQUIREMENTS	17
C. SMALL PURCHASE METHODS	27
D. SMALL PURCHASE METHOD DECISION MATRIX	38
E. MARINE CORPS PURCHASING ORGANIZATIONS	40
F. CONCLUSION	46
III. MARINE CORPS BPA POLICIES	48
A. INTRODUCTION	48
B. MARINE CORPS BPA POLICIES	49

C.	BPA POLICIES OF MARINE CORPS FIELD CONTRACTING ACTIVITIES	53
D.	CONCLUSION	58
IV.	MARINE CORPS BPA USAGE	61
A.	GENERAL	61
B.	PROCUREMENT MANAGEMENT REVIEWS (PMR'S)	62
C.	BPA USAGE-RELATED INFORMATION	68
D.	SUMMARY	73
V.	CONCLUSIONS AND RECOMMENDATIONS	74
A.	GENERAL	74
B.	SUBSIDIARY AND PRIMARY RESEARCH QUESTIONS	74
C.	CONCLUSIONS	78
D.	RECOMMENDATIONS	81
E.	FUTURE CHANGES TO SMALL PURCHASE PROCEDURES	84
APPENDIX A:	SMALL PURCHASE ACTIONS AND DOLLARS FOR SELECTED MARINE CORPS FIELD CONTRACTING ACTIVITIES (FY87-FY89)	85
APPENDIX B:	SMALL PURCHASE DEFINITIONS	87
APPENDIX C:	LIST OF ACRONYMS AND ABBREVIATIONS	90
APPENDIX D:	BLANKET PURCHASE AGREEMENT: GOVERNING RULES AND REGULATIONS	92
APPENDIX E:	THESIS INFORMATION QUESTIONNAIRE SENT TO SELECTED MARINE CORPS FIELD CONTRACTING ACTIVITIES	94
APPENDIX F:	ORGANIZATIONAL LINE CHARTS FOR SEVERAL MARINE CORPS FIELD CONTRACTING ACTIVITIES ..	97
APPENDIX G:	SAMPLE BPA-REVIEW CHECKLIST	100
	LIST OF REFERENCES	101

BIBLIOGRAPHY	104
INITIAL DISTRIBUTION LIST	105

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I. INTRODUCTION

A. BACKGROUND

In any military operation, small but highly important details are often the ones which decide whether the operation will be a success or a failure. The word "small" should, therefore, not be mistaken for "unimportant" -- unless one is prepared for mission/operation failure. In Government purchasing, the word "small" refers to the dollar size of the purchase. In particular, Part 13 of the Federal Acquisition Regulation (FAR) states: [Ref 1]

"Small Purchase" means an acquisition of supplies, nonpersonal services, and construction in the amount of \$25,000 or less using the procedures prescribed in this part (FAR Part 13).

When compared to the multi-million and billion dollar contracts for major weapon systems, the \$25,000 limitation may give some people the impression that small purchases are indeed unimportant. However, as the following figures demonstrate, the quantity and combined dollar value of small purchases make them a significant portion of total Marine Corps purchases. [Ref 2]

- In fiscal year 1989 the United States Marine Corps was involved in 300,660 procurement actions and spent a total of \$656,318,661. Included in these figures were 298,646 small purchase actions valued at \$308,855,393. In percentage figures, in fiscal year 1989, small purchases made up for 99.3% of all Marine Corps procurement actions and 47.1% of all Marine Corps procurement dollars.

These figures demonstrate that small purchases take up a large percentage of Marine Corps procurement dollars, along with a significant portion of procurement personnel time; as noted by the small purchase percentage of total procurement actions. With the shrinking defense budget, the possible reduction of Government workers (in particular--GS 1105 small purchase buyers), and the publicity given to purchasing problems like the overpricing of spare parts, it is imperative that small purchasing procedures be given their fair share of attention to ensure that all small purchases are made in the most effective and most cost efficient manner possible.

It should also be noted that many small purchases represent essential requirements for the daily operations of military units. The failure of a small purchase may mean the loss of equipment, facilities, and/or personnel readiness; resulting in possible mission failure. The relevance of a purchase is therefore not always dependent upon the dollar value.

In order to accomplish a small purchase in the most effective and efficient manner possible, various methods are available, depending on the given set of circumstances. It is up to the individual small purchasing agent, following set guidelines and regulations, to choose that method which will accomplish the purchase in the shortest amount of time and at a price which is fair and reasonable to the Government.

This thesis will concentrate on the effectiveness of using the Blanket Purchase Agreement (BPA) method as a procedure for accomplishing small purchases. In particular, this thesis will look at how Marine Corps field contracting activities use the blanket purchase agreement and whether there is any room for improving procedures and usage.

B. OBJECTIVES

This thesis will examine the use of blanket purchase agreements by Marine Corps field contracting activities in an attempt to determine the problems associated with their use and whether Marine Corps contracting activities, in general, are using them in the most effective and efficient manner. Since Marine Corps field contracting activities are located at various commands which have different mission responsibilities, this thesis will not compare the contracting activities to each other; but will concentrate on the overall usage of blanket purchase agreements. The final objective of this study will be to provide recommendations on maintaining or improving the current usage level of blanket purchase agreements (BPA's) within the Marine Corps field contracting activities.

C. RESEARCH QUESTIONS

In light of the above objectives, the primary research question for this study was: What is the status of blanket purchase agreement usage within the Marine Corps and how might

the efficiency and effectiveness of blanket purchase agreements be increased?

The subsidiary questions were as follows:

- What are blanket purchase agreements and how are they used?
- What are the current regulations regarding the use of blanket purchase agreements?
- What is the Marine Corps policy concerning the use of blanket purchase agreements?
- How are blanket purchase agreements used by Marine Corps field contracting activities?
- What are the principal problems in establishing and using blanket purchase agreements?
- How might the use of blanket purchase agreements be modified to improve the efficiency of Marine Corps field contracting activities?

D. SCOPE OF THE STUDY

This thesis will concentrate on the Marine Corps' use of blanket purchase agreements by first researching current Federal, Department of Defense (DoD) and Marine Corps policies regarding BPA usage. Past inspections [Procurement Management Reviews (PMR)] of various Marine Corps field contracting activities along with the activities' local policies (Standard Operating Procedures (SOP's) or base/depot orders) regarding the use of blanket purchase agreements will be examined. Finally, the study will examine the actual policies and procedures used by several Marine Corps field contracting activities.

E. LIMITATIONS AND ASSUMPTIONS

The missions of the Marine Corps field contracting activities, like the mission of the Marine Corps in general, are inherently different than those for contracting activities of the Navy, Army, and Air Force. Therefore, direct comparisons between the way Marine Corps field contracting activities conduct small purchases and the way the other Services' contracting activities conduct small purchases should be limited. However, the limited amount of reference material that pertains strictly to Marine Corps field contracting activities made it necessary for the researcher to use contracting information pertaining to other Services in an attempt to determine if problems and benefits experienced by other Services were also being noted by Marine Corps field contracting activities. Additionally, this thesis concentrated on Marine Corps activities located on the West coast, due to close proximity to the Naval Postgraduate School. Field contracting activities at Quantico, Virginia; Camp Butler, Okinawa, Japan; and Albany, Georgia were not specifically included in this thesis.

Throughout this thesis, it is assumed that the reader is familiar with the military acquisition process and the role of small purchases. Although some background will be provided, there may not be enough information for the acquisition novice to fully comprehend what he/she is reading.

The author received varying amounts of data and information from the different Marine Corps field contracting activities. Thus, the final limitation of this thesis is that similar types of information and data are not always presented for all of the field contracting activities.

F. LITERATURE REVIEW

In an attempt to ensure that all pertinent information was examined, the following sources were used for this study:

- All available Federal, DoD, Marine Corps, and Navy regulations regarding small purchase procedures and in particular, the use of blanket purchase agreements.
- Telephone interviews were conducted with contracting officers, blanket purchase agreement administrators, and small purchase personnel at the major Marine Corps field contracting activities.
- Personal visits and interviews were conducted with the contracting officers, blanket purchase agreement administrators, and small purchase personnel at the major Marine Corps field contracting activities located on the West coast; namely, those field contracting activities at Marine Corps Logistics Base, Barstow, California; Marine Corps Base, Camp Pendleton, California; Marine Corps Recruit Depot, San Diego, California; and Marine Corps Air Ground Combat Center, 29 Palms, California.

G. METHODOLOGY

The study began with an extensive review of all applicable regulations at and above the Marine Corps level. Next came a review of any regulations published by individual Marine Corps field contracting activities. With the information obtained from the above sources, the study proceeded to

compare the similarities and differences in the above regulations. To fill in missing and incomplete data, along with verifying how small purchases were actually being accomplished, the last information gathering step included telephone and personal interviews with various personnel at the different Marine Corps field contracting activities. The information gathered from the above methods was then used to answer the thesis' subsidiary questions and the primary research question.

H. DEFINITIONS AND ABBREVIATIONS

The following definitions will aid the reader in understanding the context of this study. A list of abbreviations /acronyms is presented in Appendix C as a ready reference, even though abbreviations are spelled out the first time they are used in the thesis. Additionally, Appendix B contains a number of other definitions relating to small purchases that the reader may find useful.

- **Contract**: A mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriate funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. [Ref 1]

- **Contracting:** Means purchasing, renting, leasing, or otherwise obtaining supplies or services from non-Federal sources. Contracting includes description (but not determination) of supplies and services required, selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration. It does not include making grants or cooperative agreements. [Ref 1]
- **Contractor/Vendor/Supplier/Offeror:** Throughout this thesis these terms will be used interchangeably to refer to the organization or person from which the Government obtains supplies and/or services.
- **GS-1105:** GS-1105 personnel are termed purchasing specialists and are the cornerstone of the small purchase function within the Federal Government. Their specific job tasking is in the small purchase field, and they comprise the vast majority of personnel performing the small purchase function within the Federal Government. [Ref 3]
- **Contracting Activity:** An element of an agency that is designated by the agency head and to which is delegated broad authority regarding acquisition functions. [Ref 1]
- **Contracting Office:** An office that awards or executes a contract for supplies or services and performs postaward functions not assigned to a contract administration office. [Ref 1]
- **Contracting Officer:** A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes certain authorized representatives of the contracting officer acting within the limits of their authority as delegated by the contracting officer. [Ref 1]
- **Offer:** A response to a solicitation that, if accepted, would bind the offeror to perform the resultant contract. Responses to requests for quotations (negotiation) are not offers and are called "quotes." [Ref 1]
- **Supplies:** All property except land or interest in land. It includes (but is not limited to) public works, buildings, and facilities; ships, floating equipment, and vessels of every character, type, and description, together with parts and accessories; aircraft and aircraft parts, accessories, and equipment; machine tools; and the alteration or installation of any of the foregoing. [Ref 1]

- **Small Purchase Procedures:** Actions involved in the purchasing, rental, or lease of supplies or services as an exception to the statutory requirement to procure by means of formal advertising in order to assure rapid delivery of a large volume of purchases, reduce administrative costs and paperwork, and improve opportunities for small and disadvantaged business concerns; includes imprest fund (cash) actions, purchase orders, orders under blanket purchase agreements, or orders issued under federal supply schedules. [Ref 4]
- **Procurement Administrative Lead Time:** The time interval between the initiation of procurement and the receipt into the supply system of material purchased as a result of such action. [Ref 4]

In addition to the above definitions, the following BPA specific terms are provided to aid the reader in understanding the subject: [Ref 3]

- **Agreement:** A written document which expresses an understanding reached between the Government and a contractor regarding possible future contracts. The agreement is not a contract itself and does not promise that any contracts will actually materialize. Its primary purpose is to identify the terms and clauses to be part of any future contract.
- **BPA (Blanket Purchase Agreement):** A method for the Government to fill purchase requirements for related supplies, material, equipment, or services by establishing accounts with established sources of supply; includes certain conditions and provisions which have been negotiated and agreed to in advance; allows the Government to make frequent purchases or calls, verbally or in writing, and receive one monthly bill for all supplies or services purchased. [Ref 4]
- **Call:** An order placed under the terms and conditions of an existing BPA. Such an order is really an offer by the Government to purchase, and becomes a binding contract when accepted by the contractor/vendor.
- **Rotation:** The practice of regularly and systematically changing the contractors who receive calls or are asked to submit quotations or bids. Proper rotation implies that all qualified sources have an opportunity to do business.

- **Review:** The process of examining, on a regular basis, the BPA itself, the calls placed, and the procedures employed on a day-to-day basis. Such an examination must be objective and designed to improve the buying process.
- **Documentation:** All written records associated with an individual BPA throughout its life. This would include copies of the BPA with all included clauses, purchase requests that have been satisfied through the BPA, source justifications, copies of the actual orders, records of any contacts with the vendor, copies of invoices where applicable, and records of any other buyer action related to the BPA. If any matter relates to a BPA, it should be written down and included as part of the documentation package.
- **Required Clauses:** Those clauses required by regulation to be included in a particular BPA. It is important to note that some clauses must be in all BPA's, while others must be used only under certain circumstances. Further, clauses required by the Federal Acquisition Regulation (FAR) may be supplemented, but not replaced, by other clauses specified by various echelons in the chain of command.
- **Adequacy of Terms:** Means whether or not the terms and conditions specified in a BPA are in the best interests of the Government and the contractor. Conditions change over time, so the buyer must regularly evaluate adequacy of terms to protect the Government.
- **Competition:** The process of allowing prospective vendors to contend against one another to determine which can most satisfactorily meet some objective requirement. Government policy establishes this as the preferred method to meet Government and social interests.
- **Equal Vendor Opportunity:** A condition resulting from each vendor, in the long run, having the same number of chances to receive orders as any other vendor. Equal opportunity does not mean that each vendor will experience the same success rate.
- **Administrative Costs:** All costs associated with translating a purchase request into goods or services to satisfy the need. Essentially, this consists of all the time and materials expended by the small purchase buyer over the life of the action.
- **Administration of BPA's:** All actions taken by small purchase personnel to maintain, review, and use active

BPA's. Establishment and disestablishment of BPA's will often be included under the heading of administration.

- **Mandatory Sources of Supply:** Those sources from which a buyer must, by regulation, obtain goods and services if they are available (e.g., the supply system and Federal Supply Schedules). Both Government and non-Government sources may be classified as mandatory, and there is a specified order in which they must be approached.

I. ORGANIZATION OF STUDY

This thesis is organized to give the reader an overall view of the Marine Corps' small purchasing environment while taking a more detailed look at one particular small purchasing method; i.e., blanket purchase agreements (BPA). Chapter II will discuss Federal and Department of Defense (DoD) regulations to provide the overall background on small purchasing and the role blanket purchase agreements play as a small purchase method. Chapter III will identify the Marine Corps and separate field contracting activity regulations and instructions pertaining to small purchase procedures and the use of blanket purchase agreements. Chapter IV will identify what the most current Procurement Management Reviews (PMR's) have to say about blanket purchase agreement usage and problems at the various field contracting activities. Additionally, it will attempt to provide some numerical data on the current usage of blanket purchase agreements by the separate Marine Corps field contracting activities. Chapter V will provide an overall analysis of the issues and problems associated with the use or non-use of blanket purchase

agreements within the Marine Corps. It will also provide the researcher's conclusions and recommendations regarding the use of blanket purchase agreements by Marine Corps field contracting activities and answer the research questions posed in Chapter I.

II. BACKGROUND

A. NEED FOR RESEARCH

The importance of small purchases within the Marine Corps is highlighted in the following figures (Figures 1 and 2); which are excerpts from the information in Appendix A.

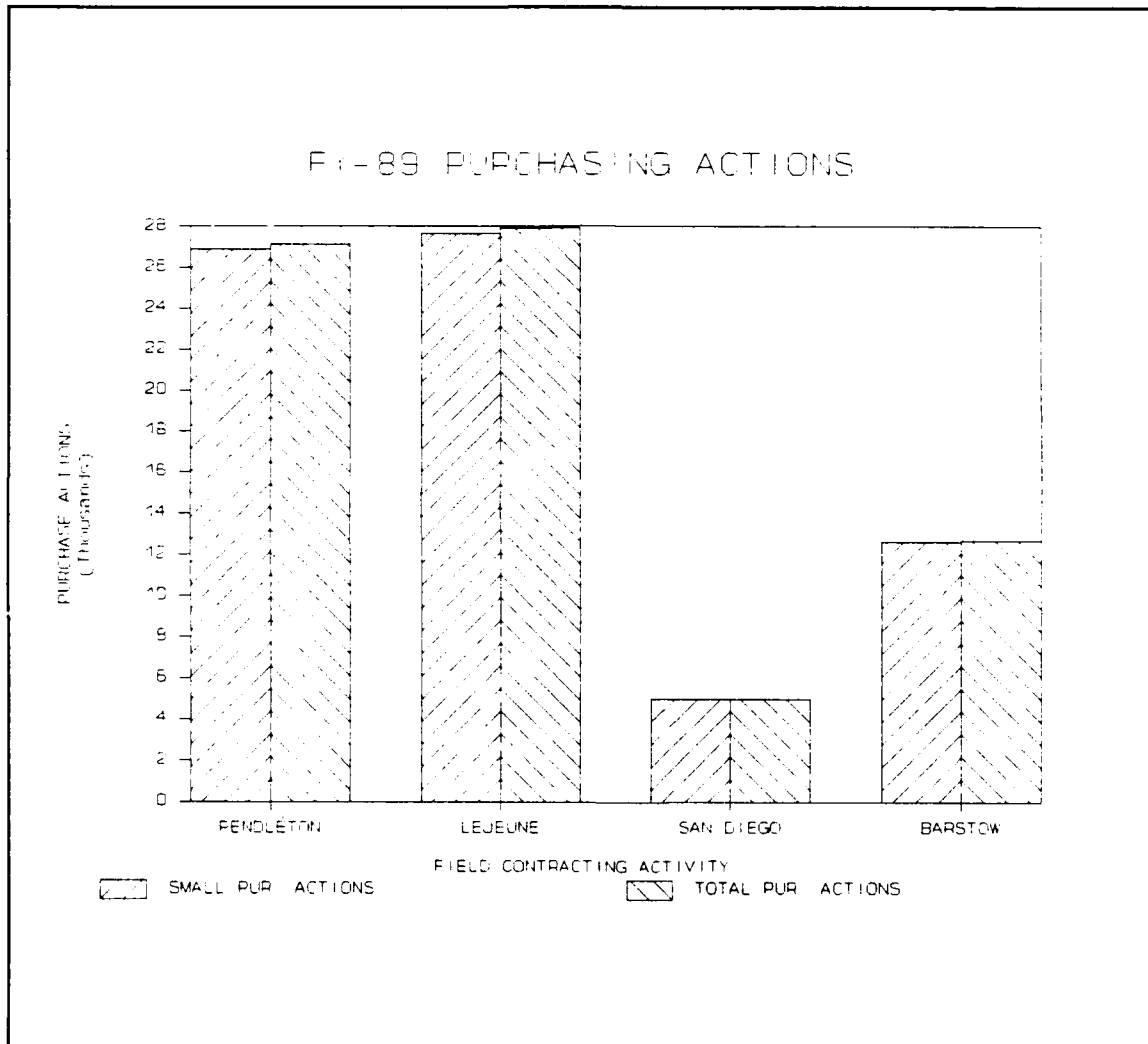


Figure 1 Small Purchase Actions (FY 1989) by Selected Marine Corps Contracting Activities

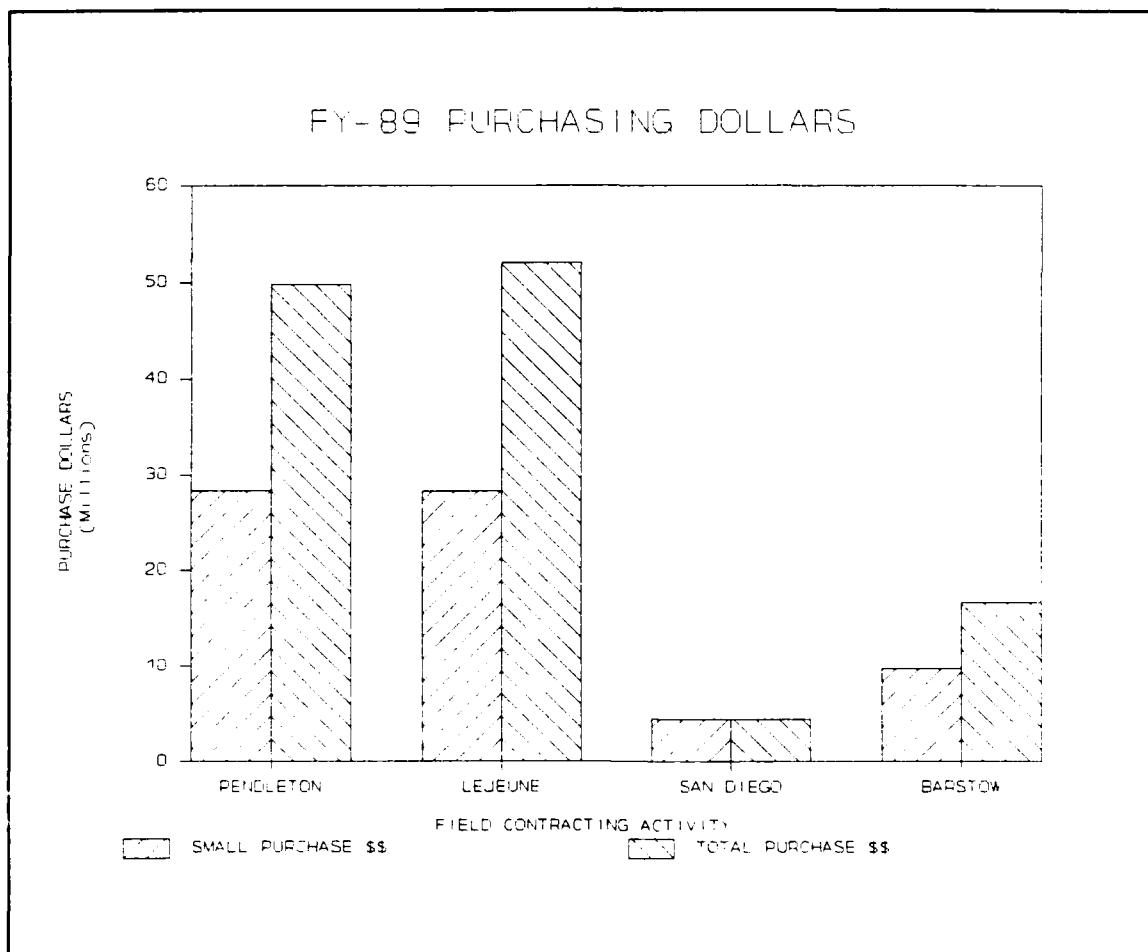


Figure 2 Small Purchase Dollars (FY 1989) Spent by Selected Marine Corps Contracting Activities

The figures show the total number and dollar amounts of small purchase actions performed at several Marine Corps field contracting activities. As the figures indicate, small purchasing is big business and big dollars in the Marine Corps. Therefore, even small beneficial changes or improvements to small purchase procedures of one-half to one percent could add up to millions of dollars in savings. As any Marine Corps combat or combat support officer would know,

that savings could lead to a lot of extra bullets, fuel, etc., which in turn would provide for more needed combat training.

The established importance of small purchases and the necessity that they be carried out in the most efficient manner leads to the question of whether or not Marine Corps field contracting activities are currently conducting their small purchases in the most effective manner possible. As will be noted later in this chapter, one of the best methods for making small purchases is the blanket purchase agreement and therefore, this study concentrates on the use of blanket purchase agreements to increase contracting activities' efficiency and cost savings. The size of the Marine Corps' budget, in comparison to the other Services, is relatively small. Therefore, the number of contracting activities, the number of small purchase actions, and the amount of information/history on past problem areas are also small in comparison to other services. However, since the basic small purchasing requirements and procedures are similar for the Navy and the Marine Corps, it was possible to study past Navy procurement related reports (Procurement Management Reviews, NPS theses, etc.) to establish a baseline from which to compare current Marine Corps blanket purchase agreement procedures. For example, in a thesis by K. R. Huff and R. D. Bales [Ref 3], the following problems in the area of blanket purchase agreement usage were discovered:

- BPA's are not established when warranted. This is primarily a failure to recognize that repetitive or frequent purchase orders issued to the same vendor represent requirements that may more economically be satisfied with a BPA.
- BPA's are not reviewed on a regular basis. Periodic reviews should be conducted to evaluate the adequacy of terms, the currency and completeness of required clauses, and the continuing necessity for the BPA.
- BPA's are not disestablished in a timely manner. Buyers must screen active BPA's to determine if current orders indicate a continued need, and if monetary or duration limitations have been exceeded.
- Calls placed under BPA's are not adequately documented and reviewed. BPA's are subject to many of the same regulatory requirements applicable to all other methods of procurement, and must be documented in order to establish conformance with those requirements. Further, documentation is essential in the event that litigation results from performance under a BPA.
- An insufficient number of BPA's are created to ensure adequate competition. The current policy mandating maximum competition extends to calls placed under BPA's. Meaningful competition and full involvement of the available business base cannot be accomplished if BPA's are issued to an unrealistically small number of vendors.
- BPA calls are not rotated in a manner that promotes equal vendor opportunity. Once an adequate number of BPA's are established, policy dictates that all listed vendors be given an equal opportunity to compete for and benefit from Government procurement dollars.
- Individual BPA calls are not properly screened to determine if requirements are available from stock or other Federal Government sources. Mandatory sources of supply apply to calls placed under BPA's.
- Original BPA's do not include all required clauses, or those clauses are incomplete. Many essential legal and policy requirements are expressed in these clauses, and they serve to protect both the vendor and the Government. Under the FAR, many aspects of these clauses are changed.
- Buyers fail to synopsise BPA's or individual calls when required. The existence of a BPA does not eliminate the requirement to synopsise.

If Navy contracting activities can experience problems with the management of blanket purchase agreements, then the chances are good that Marine Corps contracting activities also have, or are currently experiencing the same type of problems. These problems, as enumerated above by Huff and Bales, cause inherent inefficiencies in the way small purchases are conducted at the contracting activities. In turn, these inefficiencies can lead to increased costs for the Marine Corps. Therefore, the need exists to determine whether Marine Corps contracting activities are currently experiencing any similar problems in the way they are managing their small purchases. Furthermore, if any problems do exist, solutions must be found and acted upon to ensure that small purchases are made in the most efficient and cost-effective manner possible.

B. SMALL PURCHASE REQUIREMENTS

1. Regulations

The overall regulations for making small purchases are basically the same for all branches of the military, due to requirements put forth in the Federal Acquisition Regulation (FAR) and the Department of Defense Federal Acquisition Regulation Supplement (DFARS). In conjunction with these regulations, each Service puts out further guidance for their respective purchasing activities. In the case of the Marine Corps, it is Marine Corps Order P4200.15; Marine Corps

Purchasing Procedures Manual updated as of 1985 [Ref 5]. Additionally, the various field contracting activities may publish local Standard Operating Procedures (SOP's) or base/depot orders to provide local users with basic information on small purchase procedures.

2. Mandatory Sources

As noted in the introduction, a small purchase is defined as an acquisition of supplies, nonpersonal services, and construction in the amount of \$25,000 or less. In addition, the use of the term "small purchase" refers to the purchase of supplies or services from a contractor in the open market or from a General Service Administration (GSA) Federal Supply Schedule Contract. However, prior to any contracting activity going to the open market, the following mandatory sources of supply must be checked to determine if the needed item/service is available: [Ref 6]

- Defense/Federal Supply Systems for material assigned a National Stock Number (NSN).
- Excess personal property from other agencies.
- Federal Prison Industries.
- National Industries for the Blind or Other Severely Handicapped.
- Wholesale supply sources such as stock programs of the General Services Administration, Defense Logistics Agency, Veterans Administration, and military inventory control points.
- Mandatory Federal Supply Schedules.

Additionally, the Federal Acquisition Regulation (Part 8) delineates other mandatory sources for such supplies as jewel bearings and related items, public utility services, printing and related supplies, leased motor vehicles, automatic data processing and telecommunications acquisitions, strategic and critical materials from excess GSA inventories, and helium.

The Government's use of mandatory sources helps to achieve the following goals: [Ref 6]

- Fewer scarce procurement dollars are tied up at any one time in duplicated items.
- Regular utilization of supply channels provides accurate usage data, and enables more effective predictions of future demand.
- Important social-economic policies are translated into reality.

Once it is determined that a small purchase requirement can only be satisfied through the open market, the Government buyer is faced with the additional task of attempting to make the required purchase from a recognized small business. Appendix B provides several definitions of what the term "small business" means to the Federal buyer. The Department of Defense, as part of the Federal Government, is committed to helping small businesses and those businesses owned and operated by socially and economically disadvantaged individuals. In order to carry out this commitment, the Federal Acquisition Regulation (Part 13) specifies that all

small purchases not obtainable from mandatory sources shall be reserved exclusively for small business concerns. The Small Business Administration (SBA) is the primary reference for determining whether or not a business is considered a small business concern. The SBA often provides Certificates of Competency which inform Government contracting personnel that a small business is capable of providing the required services or products. These small business-small purchase set-asides, as they are referred to in the FAR and in Public Law 95-507, are even further subdivided into set-asides for the Small and Disadvantaged Business concerns. Contracting activities must award small purchases to these small business concerns, unless they can justify in writing why they were unable to make the purchase from them. Some justifications include: (1) that no small businesses exist for the needed purchase, and (2) that no small businesses provided a fair and reasonable price for the purchase. It is imperative for the contracting activity to document these justifications in order to prevent possible future legal problems. Most field contracting facilities have a Small and Disadvantaged Business Utilization (SADBU) expert, whose job it is to ensure that the Government's commitment to socio-economic programs is upheld by their contracting activity. Data (e.g., number of contracts awarded to small versus large businesses) is kept on all small purchases to measure the success of all contracting activities in meeting their socio-economic program goals.

3. Competitive Requirements

Competition in Government contracting is the main way in which contracting officers ensure that the Government is paying a fair and reasonable price for products and services. Competition is in fact required by various statutes [Competition in Contracting Act (CICA) of 1984], regulations, and policies. Competition, however, has a price: The extra time and effort needed on the part of the buyer to contact several sellers for the purpose of seeking competition costs the Government money in personnel time and added documentation/administrative burden. Thus, small purchase procedures were established to help provide a balance between these costs and the savings brought about by competing Government purchases.

Small purchases up to \$2500 do not require the contracting activity or buyer to seek competitive bids as long as the activity buyer believes the vendor's price to be fair and reasonable. It should be noted that the buyer is not precluded from seeking competition if desired. The activity buyer is, however, required to rotate these purchases among all available sellers known to the buyer, as long as the sellers are providing a fair and reasonable price. This precludes the buyers from being partial to any one business; and many small businesses will fight for their share of \$2500 purchases.

Small purchases worth between \$2500 and \$25000 require that the contracting activity compete each purchase, if possible. The use of at least three proposal bids (oral or written; depending on such factors as the amount of product /service complexity) is normally accepted as adequate competition. However, the buyer must be aware of the environment in which each purchase is being made. He must determine whether the following competitive conditions exist: [Ref 6]

- Sellers must be technically competent and should have the capacity and financing to complete the purchase order.
- Sellers must be contending independently for the purchase.
- The offers submitted by the sellers must be responsive to the expressed requirements of the purchase.

Thus, the buyer must use his own professional judgment in determining whether competition really exists and whether the competitive bids received do, in fact, represent fair and reasonable prices. If they do not, then the buyer must expand his number of competitors or use another method of ensuring a fair and reasonable price. In judging whether quotations are fair and reasonable, buyers should, if possible, compare them to market catalogs, previous purchases which were deemed fair and reasonable, available pricelists, public advertisements, prices of similar items in the marketplace, and/or prices based on the buyers' personal experiences.

The importance, as well as the legal requirements, of competition makes it essential that all buyers be aware of

common problems that tend to degrade the competitive environment. Such problems include:

- The use of brand name or equal specifications by the purchase requestor. Brand name specifications are an easy way for the requestor to complete his purchase request. However, the use of brand names tends to reduce the amount of businesses which can compete for a purchase; even though they may have a similar product available that can fill the requestor's actual need and the product is reasonably priced. Additionally, even when several businesses do compete on the brand name purchase, they are all likely to be getting that product from the same manufacturer; and therefore their prices are going to be roughly the same (not real competitive).
- Many requesting activities believe that emergency requisitions (walk-throughs) constitute a valid reason for not competing a purchase. This is not entirely true. Although the urgency of a requisition certainly plays an important role in determining whether it will be competed, it is still up to the activity contracting officer to validate that an urgency does in fact exist. Contracting officers must use their professional judgement in determining the necessity of the purchase request, so that competition is not impeded by false emergencies.

When purchase value requires competition (\$2500 to \$25,000), but the situation (lack of competition, urgency of need, etc.) warrants a sole source purchase, the buyer must ensure that he justifies the lack of competition, in writing, for the purchase file. Most contracting activities will have a Competition Advocate, whose job is to promote the use of competition in Government purchasing. The competition advocate should be consulted prior to making any sole source purchases to ensure that he agrees with the reasoning behind the sole source purchase. Figures are kept on all Marine

Corps contracting activities to monitor the percentage of purchases made under competitive procedures.

4. Advertising Requirements

Contracting activities are either encouraged or required to publish contract actions in order to: [Ref 1]

- Increase competition.
- Broaden industry participation in meeting Government requirements.
- Assist small business concerns, small disadvantaged business concerns, and labor surplus area concerns in obtaining contracts and subcontracts.

However, the concept (decrease administrative effort to increase efficiency) behind the separation of small purchases from large purchases does not often permit the use of advertising. Part 5 of the FAR provides the detailed advertising requirements for the Federal Government. A short summary of those regulations which pertain to small purchases is provided below:

- Government contracting offices are not required to advertise small purchases valued at \$5000 or less.
- Government contracting offices must advertise small purchases valued between \$5000 and \$25,000, unless the small purchases are made through oral solicitations to vendors. If the solicitations are written, then contracting offices must advertise the purchases by publicly displaying either notices of the solicitations or actual copies of the solicitations. Most contracting offices meet this requirement by establishing a bulletin board at their main offices at which all purchase notices or solicitations are posted. Vendors are made aware of the bulletin board's location and can view it on a daily basis to keep up to date on a contracting activity's purchase requirements.

These posted requirements must remain up for public inspection for at least ten days, regardless of the date of contract award.

- Small purchases over \$10,000 that are deemed to be sole source or for which the contracting officer believes that he will not receive bids from at least two responsive and responsible vendors must be synopsisized in the Commerce Business Daily (CBD). The use of the CBD is an attempt to ensure that all vendors have an opportunity to submit their proposals on the synopsisized purchase. Moreover, it is a final attempt on the part of the contracting officer to maximize competition.

Federal and DoD regulations do not prevent a contracting officer from increasing his small purchase advertising efforts. For example, a contracting officer could use paid advertisements to increase public dissemination of small purchase requirements. However, contracting officers must remember that small purchases should be made with the minimum amount of administrative effort and paperwork so as to increase cost savings. Therefore, unless a contracting officer strongly believes that additional advertising will be in the best interests of the Government (e.g., provide the Government with a substantially reduced price), he should stay with the minimum advertising requirements as published in the FAR, and noted above.

Small purchase solicitations can be either written or oral. The oral method is preferred since it reduces time and paperwork, and therefore adds to the increased efficiency of using small purchase procedures. Written solicitations are more efficient to use if: [Ref 5]

- The vendors are located outside the local area.
- Special specifications are involved.
- A large number of line items are included in a single proposed purchase.
- Obtaining oral quotations is not considered economical or possible.

Additionally, to ensure all vendors are treated fairly, buyers must rotate their solicitations among the vendors known to the buyers; i.e., vendors listed on the contracting activity's bidders mailing lists. Figure 3 demonstrates an informal procedure for managing vendor rotation. It has been proposed in several small purchase references: [Ref 6]

<u>SOLICITATION NUMBER</u>	<u>VENDORS SOLICITED</u>	<u>CONTRACT AWARDED</u>
1	A B C	A
2	B C D	C

Figure 3 Proposed Method For Managing Vendor Rotation

C. SMALL PURCHASE METHODS

Contracting activities make small purchases through a number of small purchase methods due to the wide variety of products and services that can be purchased for under \$25,000 and because various purchases are made under different circumstances. Activity buyers must determine, based upon the circumstances of each purchase, which small purchase method will be of the greatest value to the requesting unit and to the Government. Buyers must keep in mind such factors as minimizing administrative burden, providing Government protection against possible vendor complaints, economizing on time, effort, and documentation, ensuring adequate competition and providing the requesting unit with their required supplies/services in a minimum amount of time; i.e., reducing Procurement Administrative Lead Time (PALT). The end result is that buyers should attempt to use the small purchase procedure that is most suitable, efficient, and economical for the circumstances of each acquisition [Ref 1].

Small purchase methods include the purchase order (PO), the delivery order (DO), the imprest fund, and the blanket purchase agreement (BPA). These methods are briefly described in the following paragraphs. The description of the blanket purchase agreement is done in more detail and is therefore described last.

1. The Purchase Order

The Federal Acquisition Regulation (Part 13) defines a purchase order as:

An offer by the Government to buy certain supplies or nonpersonal services and construction from commercial sources, upon specified terms and conditions, the aggregate amount of which does not exceed the small purchase limit.

The above definition is very similar to the definition of a small purchase because the purchase order is the basic method for making small purchases. The purchase order can be used to make any small purchase, while the other small purchasing methods normally have some limitations; such as a dollar limitation. Purchase orders are considered a safe purchasing method because they require the use of documentation (Department of Defense Form 1155 or Standard Form 44) which helps to safeguard the contracting activity and the Government from possible future legal actions. The forms do not prevent vendors from taking legal contract action against the contracting activity, but they do help to document what the buyers did so that the Government can better defend its actions. Purchase orders are good to use if the contract is complex and there is the possibility of future modifications/changes to the contract. However, as a general rule, purchase orders are used as a last resort; i.e., the other small purchase methods cannot or should not be used for a particular acquisition.

Purchase orders can be classified as priced or unpriced, with the majority of them being priced purchase orders. A priced purchase order simply means that the buyer and vendor have agreed to a specific price prior to the purchase order being released to the vendor. The unpriced purchase order is only used when absolutely necessary, since it is released to the vendor prior to the buyer and the vendor agreeing on a specific price. They are normally used when the price of the acquisition cannot be exactly determined; e.g., when an unpriced purchase order is released for equipment repair. Since the actual cause of the equipment breakdown cannot be determined until the vendor has partially disassembled the equipment and noted the actual repair requirements, the cost to repair cannot be initially determined and a priced purchase order is not a valid purchase method. Unpriced purchase orders should be priced as soon as possible after release; i.e., as soon as a specific price can be determined.

2. The Delivery Order

A delivery order is simply an order for supplies or services placed against an established contract or with Government sources of supply [Ref 1]. The major advantages of this purchasing method are:

- The price and terms of the acquisition have already been accomplished and they have been determined to be fair and reasonable. Thus, delivery orders tend to reduce the amount of time needed to process and receive an acquisition. Additionally, the terms of the contract may dictate that the supplier be able to respond to delivery orders

within a prescribed period of time, thus providing using units with a relatively accurate estimate of delivery time.

- The use of a fewer number of large contracts versus using a large number of separate purchase orders allows the Government to normally obtain quantity discount prices.
- More than one contracting activity can utilize a specific contract or Government source of supply. Thus, there is an overall reduction in paperwork and administrative burden.
- The availability of an established contract and ready source of supply for specific supplies allows Government activities (product users) to minimize the amount of the specific product that is carried in their inventory (decreased stockage level). A decrease in inventory requirements adds up to saved dollars and saved effort in inventory management.
- The ready source of supply can ship directly to the using unit thereby eliminating the need for middlemen (supply warehouses) to handle the supplies. This elimination of product handling saves money and time.

Delivery orders are made against the following three types of contracts:

- Definite Quantity Contracts. These contracts require the Government to specify in the contract that a definite amount of a supply or service will be purchased in a given time period.
- Requirements Contracts. These contracts are used when the Government can only guarantee that there is a requirement for the product or service, but cannot guarantee the exact amount of the product or service that will be required over a given period of time.
- Indefinite Quantity Contracts. These contracts are similar to requirements contracts, except that for indefinite quantity contracts, the Government provides the vendors with minimum and maximum amounts of supplies or services that the using activities will order over a given time period. These minimum and maximum numbers provide the vendors with some guarantees and estimates by which they can monitor their production rates, etc..

3. The Imprest Fund

The Federal Acquisition Regulation (Part 13) defines imprest fund as:

A cash fund of a fixed amount established by an advance of funds, without charge to an appropriation, from an agency finance or disbursing officer to a duly appointed cashier, for disbursement as needed from time to time in making payment in cash for relatively small purchases.

The FAR (Part 13) goes on to describe the following conditions under which imprest funds may be used to make small purchases:

- The transaction does not exceed \$500 or such other limits as have been approved by the agency head;
- The use of imprest funds is considered to be advantageous to the Government; and
- The use of imprest funds for the transaction otherwise complies with any additional conditions established by agencies and with the policies and regulations referenced in Part 13.402 of the FAR.

The imprest fund is therefore just the exchange of a product or service for cash. Thus, it is beyond a doubt the fastest, simplest, and most efficient small purchase method available to a contracting activity. The imprest fund dollar limitation (\$500 or less) implies that there is no required competition for any acquisition made through the imprest fund. This adds to the speed with which the imprest fund purchases are made. However, as mentioned earlier in the chapter, buyers must ensure that they rotate imprest fund purchases fairly among their qualified vendors. The vendors like

imprest fund purchasing because they get their money upon delivery of the product or service, and thus they can reduce their accounts receivable.

The major drawbacks to the imprest fund are its limited dollar threshold (\$500 per purchase) and the fact that the use of cash and its potential misuse, requires well-established rules and regulations for operating and monitoring an imprest fund. These requirements, although not directly related to any single purchase, take a fair amount of time and effort to accomplish. Therefore, although the imprest fund is the most efficient small purchase method, it is not totally void of administrative burden.

4. The Blanket Purchase Agreement (BPA)

a. BPA Definition

The Federal Acquisition Regulation (Part 13) describes the blanket purchase agreement, hereafter referred to in this thesis as BPA, as:

A simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply.

The FAR goes on to say the following about BPA's:

- BPA's are designed to reduce administrative costs in accomplishing small purchases by eliminating the need for issuing individual purchase documents.
- BPA's should be established at the appropriate level responsible for providing supplies for its own operations or for other offices, installations, projects, or functions. Such levels, for example, may be organized supply points, separate independent or detached field parties, or one-person posts or activities.

The BPA can be compared to the delivery order, in that BPA's establish bi-lateral agreements between the contracting activity and local vendors, against which future purchases can be made without the need for a formal and time-consuming purchase order. BPA's, however, are not contracts, and they do not bind the contracting activity or the Government to buy any supplies or services from the vendors. The agreement simply preestablishes contract terms and describes those products or services for which future purchases can be acquired. When a BPA exists for a needed purchase, authorized (in writing) Government buyers can simply place oral or written orders against the BPA; thus speeding up the acquisition process and significantly reducing Procurement Administrative Lead Time (PALT).

b. General Guidance

The following additional requirements and general guidance are normally associated with the use of BPA's:

- The BPA is a small purchase method and the small purchase dollar limitation also applies to BPA's. Specifically, the monetary limit (\$25,000) for small purchases cannot be circumvented by breaking up an order greater than \$25,000 into several orders, each of which is less than \$25,000. The simplicity and speed of using BPA's often entices buyers to attempt this procedure.
- Competition is highly encouraged for purchases up to \$2500 and required for purchases over \$2500. The decreased administrative burden associated with BPA's should allow for increased competition; i.e., the effort needed to seek competition should be diminished when using BPA's.

- To enhance competition, contracting officers must ensure that BPA's are established with a variety of vendors. If there is only one BPA vendor for a certain commodity (e.g., paint), then this vendor may get more than his share of Government paint purchases and his prices may not be fair and reasonable. Moreover, if Government buyers need to compete a purchase for paint, they will have to seek out other vendors, and thus the buyers stand a good chance of having to make the purchase through a purchase order vice a BPA. This results in increased buyer effort and increased PALT; while decreasing overall purchasing efficiency.
- BPA's do not contain set prices, so buyers must still evaluate vendors' quotations and make judgmental determinations as to which prices are fair and reasonable.
- Buyers must ensure they rotate solicitations among the qualified BPA vendors to ensure fair and equitable treatment. For those BPA purchases not requiring competition, buyers must also rotate the BPA purchases (referred to as BPA calls) among the qualified BPA vendors which offer fair and reasonable prices. This policy also helps to maintain a balanced industrial/business base surrounding each contracting activity.
- BPA's may also be established with Federal supply schedule contractors as long as the terms of the BPA's do not conflict with the terms of the Federal supply schedule contract [Ref 1].
- The ease with which BPA calls can be made (just a phone call), makes it imperative that established BPA's include an official list (by name) of authorized users. This list must be kept up to date and the vendors must realize that they cannot accept BPA calls from unauthorized personnel.

c. Establishing a BPA

There are no specific Federal requirements for establishing BPA's other than those provided in the FAR's description of a BPA; i.e., BPA's are established with qualified sources of supply for filling repetitive needs for supplies and services. These non-descript requirements leave a lot of room for judgment by each contracting officer in

determining when and with whom he will establish a BPA. However, various agencies under the Federal Government may establish more stringent BPA regulations for their respective contracting activities/officers.

The FAR also allows contracting activities to establish BPA's for local use by designated activities. This procedure adds to the efficiency of the BPA purchasing method, as it spreads out the administrative burden among the users of the BPA's. The contracting activity buyers' administrative work is decreased and the using unit controls some of its own purchases as well as being responsible for minimizing the PALT related to those BPA purchases. The contracting activity is still responsible for the actual agreement (BPA) with the vendor; only the actual purchasing work is shifted to the using unit. Additionally, the contracting activity normally sets a low dollar threshold (\$1000 to \$2500) per BPA call on these using units. This minimizes the regulations which the using units have to follow and it allows the units to forego competition requirements. However, the using units are still required to rotate their purchases/calls among qualified BPA vendors.

As noted earlier in the chapter, the decision to actually establish a BPA is basically up to each activity's contracting officer. Those commodities which are purchased repetitively by a contracting activity are subject to being accomplished through the efficiency of a BPA. Contracting

officers can determine which commodities are repetitively purchased by having their buyers monitor the number of purchase orders per specific commodity group. Each month, buyers can provide their contracting officer with information on how many purchase orders were written for any particular commodity. Depending on the individual contracting officer, there may be a threshold of so many purchase orders per month that signals the activity to establish a number of BPA's for that commodity. Huff and Bales [Ref 3] suggested one BPA per every 100 anticipated BPA calls against a specific commodity for large contracting activities and one BPA for every 30 anticipated BPA calls for smaller activities. There are no Federal regulations which specify, in numerical terms, the definition of "repetitive needs."

The procedure of monitoring purchase orders can be used for establishing BPA's for using units. Here, however, the task should be easier, as the using units should be able to prove to their contracting officer how often they purchase the commodity over a given time period. Moreover, if several units purchase the same commodity on a repetitive basis, then the BPA's can be established based on the combined requirements of the different using units.

d. BPA Review Requirements

The BPA, like all other small purchasing methods, is not without its share of administrative requirements. To maintain the inherent efficiency of BPA's and to ensure they

are being used in accordance with applicable regulations and policies, the following documented reviews are required:

- Contracting activities must review the actual BPA's to ensure that the terms and conditions of the BPA's are current and in the best interests of the Government. Because conditions change (e.g., market conditions), BPA's may need to be updated to include more current contract clauses or provide the Government with better quantity discount prices. Additionally, the contracting officer will review the BPA for actual usage to determine whether it should remain active or be terminated. This type of review is normally conducted once each year for each active BPA.
- Contracting activities or using units authorized to use specific BPA's must review their administrative paperwork to ensure that purchases are being made correctly, there is adequate documentation to correctly certify the use of competition, BPA calls are rotated fairly, only authorized personnel are making BPA calls, and calls are being made within prescribed dollar limitations. This type of review is required at least annually [Ref 1].

Appendix G contains a sample BPA-review checklist.

e. BPA Termination or Disestablishment

In determining whether to terminate a particular BPA (not just an unqualified BPA vendor), the contracting officer normally refers back to the idea of repetitive needs. He will usually make the determination that there is no longer a large enough repetitive requirement for a given commodity to substantiate the existence of a BPA('s). Again, there are no Federal requirements which identify what constitutes a "repetitive need." BPA termination based on inadequate repetitive need is a judgment call just as it is for BPA

establishment. BPA's may also be terminated for other less occurring reasons such as lack of qualified vendors.

BPA's are often established with a specific termination date included in the agreement terms. These BPA's are automatically cancelled at their termination date, unless they are found to be of future value and the contracting officer, in conjunction with the vendor, extends the termination date or enters into a new updated BPA.

Some BPA's are also established with a total dollar limitation to ensure that an activity or using unit does not spend more than their allocated share of financial resources [Ref 1]. These BPA's are automatically terminated when that dollar threshold is achieved.

D. SMALL PURCHASE METHOD DECISION MATRIX

As noted in Figure 1 of this chapter, small purchase buyers are responsible for the largest portion of contract actions. They are extremely busy people and they must have a way of quickly determining which small purchasing method will best meet the needs of each and every small purchase. Buyers may rely on experience or contracting activity checklists to accomplish the task of choosing the most economical and efficient purchasing method. Table I provides a suggested decision matrix which can be modified and used by various buyers to help them make a quick, accurate, and responsible determination [Ref 6]. The terms low, medium, high, etc.,

TABLE I				
SMALL PURCHASE METHOD DECISION MATRIX				
METHOD	BPA	IMPREST FUND	PURCHASE ORDER	DELIVERY ORDER
ADMIN COSTS:	LOW	LOW	HIGH	MED
TIME TO PROCESS:	LOW	LOW	HIGH	MED-HIGH
DOLLAR THRESHOLD:	ACTIVITY DEPENDENT	\$500	PURCHASE AUTHORITY	PURCHASE AUTHORITY
GOVERNMENT PROTECTION:	MED	LOW	HIGH	MED-HIGH
QUANTITY DISCOUNTS:	LOW	LOW	LOW	HIGH
PROMOTES COMPETITION:	HIGH	LOW	HIGH	HIGH
PALT & DELIVERY LEAD TIME:	LOW	LOW	MED-HIGH	LOW-MED

describe how well the various small purchasing methods meet the variable factors (i.e., administrative costs, time to process, dollar threshold, Government protection, quantity discounts, promotes competition, and PALT/delivery lead time) used in choosing the best small purchase method. For example, a buyer is ready to purchase an item costing \$1000. He goes to his decision matrix, (Table I is this case) in an attempt

to find the most effective small purchasing method available to him. In the matrix (Table I), he notes that the imprest fund is limited to \$500 and so he knows he cannot use it to make this particular purchase. Next, he looks at the administrative costs and notes that the use of a BPA (assuming at least one BPA exists for the needed item) will have lower administrative costs than the use of either a purchase order or a delivery order. The buyer then notes that this is also true for the factors of "time to process" and "PALT and delivery lead time." The buyer continues comparing the small purchasing methods based on the rest of the factors. He notes that the only factor which does not favor the use of a BPA over that of a purchase or delivery order is the factor involving Government protection. Thus, in seven of the eight factors listed in the matrix table, the BPA purchasing method is either more effective than the other small purchasing methods or equally effective. Therefore, the buyer can maximize his efficiency by choosing to use a BPA for this particular purchase.

E. MARINE CORPS PURCHASING ORGANIZATIONS

1. Marine Corps Field Contracting Activities

The size of the Marine Corps (personnel numbers as well as number of permanent major bases) allows it to manage with a limited number of field contracting activities which conduct both large and small purchases. Field contracting

activities are located at those Marine Corps installations noted below. In regards to small purchases, the field contracting activities have purchasing authority up to \$25,000, or the limit of small purchases.

Mission statements (those made available to the author) for the installations and the contracting activities are provided to demonstrate functional differences between the installations and possibly the contracting activities [Ref 5]. Additionally, Appendix F contains organizational line drawings for several of the listed field contracting activities.

- Marine Corps Base, Camp Lejeune, NC. The mission of Marine Corps Base, Camp Lejeune, North Carolina is, in part, to provide housing, training facilities, logistic support and certain administrative support for Fleet Marine Force units and other units assigned; to conduct specialized schools and other training as directed. The mission of the Contracting Division is to provide acquisition support for the Marine Corps Base (MCB) and its supported units after all other appropriate channels of supply have been thoroughly exhausted. [Ref 7]
- Marine Corps Recruit Depot, Western Recruiting Region, San Diego, CA. The mission of Marine Corps Recruit Depot, San Diego, California is to exercise operational control of enlisted recruiting operations in the 8th, 9th and 12th Marine Corps Districts through screening, evaluation, verification, and field supervision; to provide guidance and direction on quality control matters for all West Coast enlisted accessions in accordance with standards established by the Commandant of the Marine Corps; to provide reception, processing and recruit training for enlisted personnel upon their initial entry into the Marine Corps; to conduct other schools as directed; to provide rifle and pistol marksmanship training for Marines stationed in the Southwest and for personnel of other Services as requested; and to conduct training for reserve Marines as directed. The Contracting and Purchasing Branch mission is to solicit offers, award and administer all purchases of supplies and services from commercial and certain Government sources involving appropriated funds in support of command requirements except major repairs

and minor construction. The services of the Contracting and Purchasing Branch are made available to other commands located near San Diego; e.g., all Recruiting Stations, LFTC-PAC, Marine Barracks and Marine Detachments. [Ref 8]

- Marine Corps Base, Camp Pendleton, CA. The mission of Marine Corps Base, Camp Pendleton, California is to provide housing, training facilities, logistical support, and certain administrative support for Fleet Marine Force units and other units assigned; to conduct specialized schools and other training as directed; to receive and process trainees and conduct individual combat training as directed; to train and organize replacement units for shipment overseas as directed; and to provide logistical support for other Marine Corps activities as directed. The mission of the Contracting Division is the planning, direction, and coordination of procurement actions for supplies and services aboard Camp Pendleton. The primary responsibilities under this mission are providing small purchase and formal contract services for units of the Base, Fleet Marine Force and tenant activities; plus providing guidance and expertise on all contractual matters to the staff, unit commanders and subordinate sections. [Ref 9]
- Marine Corps Air Ground Combat Center, Twentynine Palms, CA. The mission of the Purchasing and Contracting Branch of Marine Corps Air Ground Combat Center (MCAGCC), Twentynine Palms, California is to provide acquisition support to the Combat Center for supplies and nonpersonal services determined to be unavailable from the Marine Corps Supply System. This support is extended to all units, host and tenant. In addition, acquisition support is provided for all combined arms exercises conducted aboard MCAGCC. (No specific MCAGCC mission was made available to the author.) [Ref 10]
- Marine Corps Recruit Depot, Eastern Recruiting Region, Parris Island, SC. The mission of the Marine Corps Recruit Depot, Parris Island, South Carolina is to exercise operational control of enlisted recruiting operations in the 1st, 4th, and 6th Marine Corps Districts through screening, evaluation, verification, and field supervision; to provide guidance and direction on quality control matters for all East Coast enlisted accessions in accordance with standards established by the Commandant of the Marine Corps; to provide reception, processing and recruit training for enlisted personnel upon their initial entry into the Marine Corps; to provide training of recruits; to conduct schools as directed; to provide rifle and pistol marksmanship training for Marines stationed in the Southeast and for personnel of other Services as

requested; and to conduct training for reserve Marines as directed. The mission of the Contracting and Purchasing Branch is to support the Recruit Depot in contracting for required supplies/services required to accomplish the Depot's mission. [Ref 11]

- Marine Corps Logistics Base, Barstow, CA. No mission information available to the author.
- Marine Corps Logistics Base, Albany, GA. Marine Corps Logistics Base, Albany, Georgia was not covered in this thesis.
- Marine Corps Development and Education Command, Quantico, VA. Marine Corps Development and Education Command, Quantico, Virginia was not covered in this thesis.
- Marine Corps Base, Camp Smedley D. Butler, Okinawa, Japan. Marine Corps Base, Camp Butler, Okinawa, Japan was not covered in this thesis.

As noted in Chapter I, this thesis concentrates on the field contracting activities in the Marine Corps. As can be seen from the figures in Appendix A, Marine Corps field contracting activities conduct the majority of small purchase actions and spend the majority of small purchase dollars. Additionally, this thesis centers around the contracting activities which deal with the Fleet Marine Force units and the recruitment of Marines. These are the units responsible for the combat readiness of the Marine Corps and therefore their ability to obtain needed small purchase requirements in a minimum amount of time is critical to keeping the Marine Corps in a constant state of readiness. For the above reason, the contracting activities at the Marine Corps Combat Development Center, Quantico, Virginia and at Marine Corps Logistics Base, Albany, Georgia were not included in this thesis. Also,

because of its overseas location, the contracting activity, Camp Butler, Okinawa, Japan, was not included in this thesis.

The amount of information received from the field contracting activities varied considerably. Therefore, throughout the remainder of this thesis, some contracting activities will be covered in more detail than others. Whenever possible, this thesis includes information on all the primary field contracting activities noted above.

2. Marine Corps Limited Purchasing Offices

Although not specifically covered in this thesis, there are several activities within in the Marine Corps, which, because of their specific mission or their separate location; are authorized to make limited purchases. These activities are classified as Limited Purchasing Offices, and are granted procurement authority up to \$10,000 per individual purchase. Furthermore, these offices are also authorized to issue delivery orders against existing mandatory indefinite delivery-type contracts up to \$50,000 as set forth in the basic contract [Ref 5]. The following activities are classified as limited purchasing offices:

- Marine Corps District Headquarters.
- Headquarters Support Division (HQSS), Headquarters, Marine Corps.
- Marine Corps Finance Center, Kansas City, KS.
- Camp Elmore, Norfolk, VA.
- Camp Smith, HI.

- Headquarters, 4th Marine Division (Reinforced), New Orleans, LA.
- Headquarters, 4th Marine Aircraft Wing, New Orleans, LA.
- Marine Barracks, 8th & I Streets, S.E., Washington, D.C.
- Commissary Store Complex.
- Marine Corps Reserve Support Center, Kansas City, MO.
- Headquarters Battalion, Henderson Hall, Arlington, VA.

3. Marine Corps Minor Purchasing Activities

In addition, the Marine Corps provides purchasing authority to still other units/activities which are not supported by either a field contracting activity or a Limited Purchasing Office. These activities are classified as Minor Purchasing Activities. They are also not specifically addressed in this thesis, but are listed here for informational purposes. The Marine Corps Purchasing Procedures Manual [Ref 5] describes these activities as Minor Purchasing Activities and provides the following definition:

Marine Corps recruiting stations (but not substations), subordinate units of 4th Marine Division/4th Marine Aircraft Wing, Marine barracks, landing force training commands, Fleet Marine Force (FMF) units in permanent garrison overseas and all miscellaneous Marine Corps activities not previously identified (as field contracting activities or limited purchasing offices) are authorized to affect purchases of supplies and/or services in amounts not exceeding \$2500 per individual purchase transaction. Further, delivery orders issued against existing mandatory indefinite delivery-type contracts may be issued in amounts up to \$10,000 when such delivery orders do not exceed the maximum order limitation set forth in the basic contract.

Marine Corps commissary stores which are not supported by a commissary complex are also classified as Marine Corps Minor Purchasing Activities [Ref 5].

4. Miscellaneous Organizations

Marine Corps units which are deploying from the continental United States may also be authorized limited purchasing authority, depending on their length of deployment and their intended location during deployment.

Contracting/purchasing offices at Marine Corps Air Stations and Air Facilities fall under the cognizance of the Deputy Commander for Contract Management, Naval Supply Systems Command. The contracting activities at these commands follow appropriate Naval Supply Systems (NAVSUP) Command regulations.

F. CONCLUSION

Small purchases are an important part of Federal, Department of Defense, and Marine Corps acquisitions; in terms of both the importance of the items purchased and the amount of dollars spent. The Federal and DoD regulations pertaining to small purchases provide for the minimization of administrative effort and the maximization of efficiency, by authorizing the use of several small purchasing methods. Depending on the situation, the Government buyer selects the method which meets the regulations pertaining to his purchase and provides for minimal administrative effort and least cost to the Government. Of the small purchasing methods available, Table I

seems to indicate that blanket purchase agreements provide the buyer with the most capability to meet the objectives of minimum effort and cost. Appendix D provides a detailed list of references pertaining to BPA's.

The Federal and DoD regulations pertaining to BPA's appear to encourage their use and thus provide Government buyers with the incentive to use them. These regulations apply to the Marine Corps and therefore should stimulate the use of BPA's among Marine Corps field contracting activities. However, Marine Corps field contracting activities must follow Marine Corps procurement orders in addition to Federal and DoD regulations. Chapter III will analyze the current regulations and policies of the Marine Corps and the separate field contracting activities to determine whether they encourage or inhibit the use of BPA's.

III. MARINE CORPS BPA POLICIES

A. INTRODUCTION

Chapters I and II highlighted the importance of small purchases, the methods used to accomplish small purchases, and the idea that increased purchasing efficiency (by as little as one-half to one percent) could lead to substantial monetary savings for the Government. Additionally, the BPA was identified as a highly effective small purchasing method which, if used properly, could significantly increase the efficiency of small purchase buyers and thus contribute to increased cost savings through reduced administrative effort and paperwork. In order to determine whether Marine Corps field contracting activities are using BPA's to their full advantage, it is necessary to determine the specific regulations and policies under which Marine Corps contracting activities must operate. Once these regulations and policies are identified, it may be possible to determine whether they encourage or hamper the effective use of BPA's.

To reemphasize an earlier point; this thesis is concerned with whether Marine Corps field contracting activities are using the BPA when it is the most appropriate and efficient small purchasing method available. It is not overly concerned with the procedural mechanics of awarding and using BPA's.

These are important considerations for the activities, and they can affect purchasing efficiency if buyers have to continually spend time correcting administrative paperwork errors. However, it is the contention of this thesis that the major impact on the efficiency of making a small purchase occurs when the buyer chooses a small purchasing method. Therefore, the specific Marine Corps regulations (e.g., filing instructions, actual BPA preparation, etc.) will not be included unless it is determined that they have an impact on the selection of the BPA as the most efficient purchasing method for a particular small purchase action.

B. MARINE CORPS BPA POLICIES

1. General Information

The information presented so far in this thesis is general in nature; i.e., it represents Federal and DoD regulations and policies, and does not include very much additional guidance provided by the various agencies (such as the Marine Corps) within DoD or the Federal Government. Although the Marine Corps follows the FAR and DFARS, it does provide its field contracting activities with additional guidance in the form of MCO P4200.15 (Marine Corps Purchasing Procedures Manual). The subparagraphs which follow provide the specific guidance published by the purchasing manual. To prevent unnecessary repetition, it shall be understood that, unless specifically addressed, the general small purchase and

BPA policies noted in Chapter II apply to Marine Corps field contracting activities and thus will not be repeated in this section. For example, policies such as the equitable distribution of small purchases among qualified vendors and the need for vendor competition at specific dollar thresholds are applicable to the Marine Corps even though they are not specifically covered in this section. However, the specific regulations published by the Marine Corps are included, whether or not they are also found in the FAR or DFARS. As the primary reference for field contracting activities, the Marine Corps purchasing manual provides direct guidance on small purchase procedures; to include the use of BPA's. These regulations affect the way field contracting activities conduct small purchases and thus, their identification is a necessary step before looking at individual contracting activity regulations, actual small purchase procedures, and BPA usage data.

2. Marine Corps BPA Description

The Marine Corps Purchasing Procedures Manual (MCO P4200.15) describes the BPA as:

A simplified procedure of establishing "charge accounts" with qualified sources of supply to cover anticipated small purchases of items of the same general category, which are readily available. Such an agreement eliminates the necessity of issuing individual purchase orders for small requirements by providing that purchases will be made by means of placing oral calls (generally by telephone), or by informal memoranda when more convenient, against the BPA.

The manual goes on to encourage the maximum use of BPA's, when appropriate.

3. Marine Corps Conditions For BPA Usage

The Marine Corps purchasing manual provides general conditions for using BPA's. It states that BPA's are authorized for use in accomplishing small purchases when: [Ref 5]

- There is a repetitive need for small quantities of supplies or services of closely related types, such as electrical supplies, plumbing supplies, repair parts or services, miscellaneous items or hardware, rubber stamps, etc.
- The supplies or services are readily available.
- The use of the BPA method is administratively more economical than any other small purchase method.

4. Marine Corps Limitations on BPA Usage

The Marine Corps purchasing manual provides the following limitations on the use of BPA's by Marine Corps contracting activities: [Ref 5]

- BPA's may be used for any period of time deemed desirable. However, when the term of the BPA exceeds one year, a review of currency and format shall be made at least annually.
- No single call may exceed \$2500 (\$10,000 for field contracting activities).
- Solicitations for BPA's (small purchases in general) shall, to the maximum extent possible, be limited to the immediate business area surrounding either the contracting activity or the receiving activity.
- Specifically cited contracting activities are authorized to place BPA calls for subsistence with unlimited dollar value.

- The placement of calls between \$1000 and \$2500 shall be made only by those personnel of the purchasing organization (except commissary store subsistence resale).
- Calls shall be placed only by those persons designated by name in the BPA.
- Calls shall not be placed against an expired BPA.

5. Marine Corps BPA Controls

Due to the minimum amount of paperwork involved with BPA's and the fact that once a BPA is established, the Government is obligated to make payment on a valid purchase conducted over the telephone; certain controls must be established to prevent misuse or fraud. In particular, contracting offices should establish procedures which prevent the same person from performing more than one of the following BPA functions: [Ref 5]

- The initiation of the purchase requirement.
- The placement of the BPA call.
- The receipt, inspection, and acceptance of the material.

If a contracting office cannot meet the above requirement, then it must at least establish controls which ensure that the person making the call does not perform the function of receipt, inspection, and acceptance of the respective supplies/services.

6. Miscellaneous BPA Requirements

The following additional requirements are promulgated by the Marine Corps purchasing procedures manual. As stated previously, some of these requirements may be contained in the FAR or DFARS. They are repeated here to demonstrate the specific Marine Corps guidance given to the field contracting activities. [Ref 5]

- BPA's cannot be used for purchases in which more than one delivery or one payment is necessary.
- BPA agreements may be limited to specific items or commodity groups, or the scope of the agreement may encompass all items that the supplier is in a position to furnish.
- BPA agreements must contain a statement (agreed to by the vendor) that the prices to the Government shall be as low as or lower than those charged the supplier's most favored customer, in addition to any discounts for prompt payment.
- All BPA's shall be reviewed semiannually to ensure that proper procedures are being followed. Additionally, the contracting office which established the BPA shall review and update (as needed) each BPA on an annual basis. (See Appendix G for sample checklists used by various field contracting activities.)

C. BPA POLICIES OF MARINE CORPS FIELD CONTRACTING ACTIVITIES

1. General Overview

Marine Corps contracting activities, like all other Marine Corps units, must follow the policies and regulations of higher headquarters. The basic premise that all subordinate units follow is that their regulations can only enhance (not weaken) higher level regulations, by providing locally

specific examples or by adding more restrictive measures which help to ensure unit adherence to higher level regulations. The addition of local restrictions to the basic Marine Corps BPA regulations could have an adverse effect on the efficiency of BPA usage by a particular field contracting activity. Therefore, it is essential to determine what local regulations affect each of the Marine Corps field contracting activities, and whether these regulations have any impact (favorable or unfavorable) on the use of BPA's. The following paragraphs attempt to identify the local policies and regulations established at some of the Marine Corps field contracting activities. Again, to prevent repetition, only those policies and regulations which appear to be different from the stated Marine Corps, DoD, and Federal policies and regulations will be listed. Unless otherwise noted, it will be assumed that the field contracting activities follow the established policies and regulations of higher authorities.

2. Marine Corps Base, Camp Pendleton, CA

The field contracting branch at Camp Pendleton, California publishes a handbook [Ref 12] to aid personnel involved with BPA purchases. BPA policies and regulations used by the field contracting activity include the following:

- Deliveries for supplies purchased with BPA's must not exceed 60 days without the authorization of the base contracting officer [Ref 12].

- Dollar limitations per BPA call are \$1000 for authorized individuals at local units and \$10,000 for authorized individuals at the contracting office. Additionally, the contracting office authorizes individuals at specific local units (Facilities Maintenance Division, Direct Stock Support Control (DSSC), and Marine Corps Base Motor Transport) to make BPA calls up to \$2500 [Ref 13].
- No requirement for local units to have more than one BPA from which to purchase their requirements. A unit will normally only get one BPA unless their usage rate exceeds 20 calls per year [Ref 13].
- A requirement for the contracting activity's BPA administrator to verify local units' BPA summary invoices, along with accompanying documentation, and then forward them on to the disbursing officer for payment [Ref 12].
- A requirement for local unit commanders to take responsibility for training their own BPA administrators/ callers. The contracting activity's BPA administrator does, however, get involved with the training of local unit BPA personnel [Ref 14].
- A general requirement of five calls per quarter or 20 calls per year to establish a BPA [Ref 15].
- The termination of a BPA is determined by the contracting officer. Reasons for termination include insufficient usage, vendor's poor delivery and/or vendor's poor quality records. Both of these are judgement calls on the part of the contracting officer [Ref 13].

3. Marine Corps Recruit Depot, San Diego, CA

The field contracting branch at Marine Corps Recruit Depot, San Diego, California publishes a depot order in the form of a Standard Operating Procedure (SOP) [Ref 16] to disseminate local procurement policies and regulations. BPA policies and regulations are included in this depot order. The contracting activity adheres to the following policies and regulations regarding BPA's:

- A general requirement that BPA purchases be available within 30 days of the BPA call, unless the contracting office approves a different time frame [Ref 16].
- Authorization for specific individuals of the contracting activity to make BPA calls up to \$25,000 [Ref 16].
- No requirement for local BPA-authorized units to have more than one BPA to satisfy their requirements, although the contracting activity attempts to provide at least two BPA's per required commodity [Ref 17].
- A requirement for the local units to train their own BPA administrators [Ref 18].
- A general policy that 25 requests per year are required in order to establish a BPA [Ref 17].

4. Marine Corps Recruit Depot, Parris Island, SC

Local procurement policies or procedures for the field contracting office at Marine Corps Recruit Depot, Parris Island, South Carolina were not available to the researcher.

5. Marine Corps Logistics Base, Barstow, CA

The field contracting office at Marine Corps Logistics Base, Barstow, California does not publish any written local policies or regulations. The contracting activity does however adhere to the following policies and regulations regarding BPA's:

- Local units are provided with more than one BPA per required commodity to ensure that there is competition and that local businesses get their fair share of the BPA purchases [Ref 19].
- No requirement for delivery time of BPA purchases. Each BPA call has its own requirements for delivery and the BPA callers must choose that vendor which can meet their delivery schedule [Ref 20].

6. USMC Air Ground Combat Center, Twentynine Palms, CA

The field contracting activity at Marine Corps Air Ground Combat Center, Twentynine Palms, California publishes several written documents pertaining to local procurement policies and regulations. These documents include a Marine Corps Air Ground Combat Center Order (MCAGCCO 4200.2a), a purchasing information pamphlet [Ref 21], and a contracting officer letter dealing with BPA procedures [Ref 22]. The Combat Center order was not available to the researcher. The contracting office adheres to the following policies and regulations regarding BPA's:

- BPA dollar limitations for local BPA-authorized units and the contracting activity are \$1000 and \$10,000, respectively [Ref 22].
- Delivery of BPA requirements normally must be made within 60 days, but cannot be any longer than 120 days [Ref 22].
- If BPA buyers skip a vendor on the BPA list, they must justify, in writing, why they did not rotate the BPA purchase to that vendor [Ref 23].
- A priority supply source listing encourages the use of the optional Federal Supply Schedules to that of BPA's [Ref 22].

7. Marine Corps Base, Camp Lejeune, NC

The field contracting activity at Marine Corps Base, Camp Lejeune, North Carolina publishes two documents which cover local procurement policies and regulations. The first document is a letter by the contracting officer specifying BPA

procedures [Ref 25] and the second is an instruction manual covering the use of "bankcards". This last document will be covered in more detail in Chapter V. The activity also has internal desktop procedures for carrying out BPA purchases [Ref 26]. The contracting activity adheres to the following policies and regulations concerning BPA's:

- A general requirement for three requests per month or 36 requests per year before a BPA will be established. BPA's will, in general, be terminated if this amount of activity is not maintained [Ref 27].
- A requirement for the activity's BPA administrator to provide appropriate training to local units with BPA authority [Ref 27].
- A general requirement for BPA purchases to be delivered within 60 days [Ref 25].
- A general requirement that local units be given at least three different vendors from which to make their required BPA purchases [Ref 27].
- Local units authorized the use of BPA's have a dollar limitation of \$1000 per call. The contracting activity's dollar limitation is \$25,000 per BPA call [Ref 25].

D. CONCLUSION

Marine Corps field contracting activities appear to publish BPA policies and regulations which are in line with those promulgated by the Marine Corps, DoD, and the Federal Government. There are some differences in the dollar limitations afforded the various contracting activities along with the dollar limitations afforded the local BPA-authorized units. However, there does not appear to be any major

policies or regulations published by any of the field contracting activities which would seriously inhibit the use of BPA's by either the contracting activity or locally authorized units.

The final step in determining the current usage of BPA's by Marine Corps field contracting activities is to make an attempt to look at actual usage data. There is, however, a problem with collecting this needed BPA usage data. With over 298,000 small purchase actions conducted in fiscal year 1989 by Marine Corps purchasing offices, it would be very time consuming (and possibly impossible) to separate those actions by the purchasing methods used to complete the actions. Therefore, in order to get some idea of BPA usage, BPA lists (a list of vendors which currently have a BPA('s) established with a particular contracting activity) for some of the field contracting activities were used. It is the author's assumption that the usage of BPA's by Government buyers is in direct proportion to the number of established BPA's. This assumption is based on the premise that Government buyers will choose a BPA over the other methods of small purchasing if an appropriate BPA is available. This second assumption is based on the fact that BPA's are one of the easiest, most efficient, and most flexible small purchasing methods available to Government buyers. If the current number of BPA's is large enough that buyers have continued success in locating appropriate vendors on their activities' BPA list, then buyers will

initially opt for the BPA purchasing method; thus, increasing the usage of BPA's. If, on the other hand, the number of current BPA's is limited and buyers often do not find a qualified BPA vendor on the BPA list, then buyers are likely to become skeptical of the value of the BPA and will use another purchasing method.

Chapter IV provides some data on the number of BPA's currently open at the various field contracting activities. In addition, the chapter reviews the latest Procurement Management Reviews (PMR's) for some of the field contracting activities. The PMR's are detailed inspections of the contracting activities. These reviews highlight procurement areas, such as BPA usage, in which a particular contracting activity excels or is in need of improvement. The PMR's are included in this thesis because they may help determine whether various contracting activities are adhering to those BPA policies and regulations (Federal, DoD, Marine Corps, or local) which promote the maximum use of BPA's and the concurrent increase in small purchase efficiency.

IV. MARINE CORPS BPA USAGE

A. GENERAL

The old adage about being able to lead a horse to water, but not being able to make him drink applies to the use of BPA's. In particular, all the good BPA policies and regulations in the world will not benefit an activity if it does not adhere to them. Thus, as a final step in determining the status of BPA usage within the Marine Corps, the actual procedures followed by the separate field contracting activities were examined. This task was accomplished by a combination of the following methods:

- Examination of past Procurement Management Reviews (PMR's).
- Visits by the author to several field contracting activities.
- Analysis of various information; e.g., BPA lists.

It should not be implied from the above paragraph that the author believes the policies and regulations promulgated by the Marine Corps or the separate contracting activities are all good and should lead to the efficient use of BPA's. Chapter V will provide a further analysis of the various Federal, DoD, and Marine Corps policies and regulations. The above paragraph simply states that in order to analyze any

situation, one must look beyond what is written to the actual procedures used by the individuals who make the system work or not work.

B. PROCUREMENT MANAGEMENT REVIEWS (PMR's)

1. General

Procurement management reviews (PMR's) are inspections of (relative to this thesis) field contracting activities for the purpose of reviewing their purchasing and contract administration operations to assure maximum efficiency and effectiveness [Ref 28]. The primary emphasis of PMR's is on reviews aimed at improvement of mission performance system-wide as well as at individual elements through recognition of and assistance in the cure of basic problems [Ref 28]. Marine Corps PMR's are conducted under the cognizance of the Field Assistance Branch, Code LBO, Headquarters, Marine Corps; and are scheduled every three to four years.

Procurement management reviews for several field contracting activities were examined to determine whether any procedural problems had been noted by the inspectors. Only those problems or favorable comments which apply to BPA's, or which may affect the usage of BPA's, are addressed in the following paragraphs.

2. Analysis of PMR's For Specific Field Contracting Activities

a. Marine Corps Base, Camp Lejeune, NC

The last PMR at Marine Corps Base, Camp Lejeune, North Carolina was conducted during the period of 27 April to 8 May 1987. Areas of concern mentioned in the formal PMR report include: [Ref 7]

- A noteworthy recognition of the contracting activity's acquisition and installation of the Base Contracting Automated System (BCAS) for processing small purchases.
- A recognition of the contracting activity's success in establishing Indefinite Delivery Type Contracts in support of Base facilities maintenance to obtain the various building, plumbing, electric, and heating/cooling supplies which are often required on short notice.
- A recommendation by the PMR team that the contracting activity use the imprest fund more often for purchases of less than \$500.
- A recommendation by the PMR team that the contracting activity's BPA administrator establish procedures for following up on all BPA purchases to prevent delinquent delivery of purchase requirements.
- A finding by the PMR team that the activity's buyers were not always ensuring that competition was used when required, or that written justification was included in the purchase files for those purchases requiring competition; but for which the buyers were unable to find any competition.
- A recommendation by the PMR team that the contracting activity stop using DD Form 1155 for BPA's. The activity was making 20 copies of each DD Form 1155 (BPA purchase) for distribution to various sections. The PMR team concluded that this was decreasing the administrative efficiency inherent in the use of BPA's, and the inspectors recommended that the activity cease using DD 1155's and use rubber stamps (which contained the minimum BPA information required) to mark the back of the original

purchase request. Thus, the activity's administrative effort and paperwork would be reduced.

- A noteworthy recognition of how the contracting activity handles the use of BPA's by various units located around the base. The PMR noted that the activity conducted extensive training of those local unit personnel who would be responsible for making and documenting calls against established BPA's. Additionally, the activity was noted for having these local units send their monthly invoices directly to disbursing instead of to the contracting activity. The contracting activity was therefore relieved of the heavy administrative burden of collecting, reconciling, and verifying all the invoices from the various local units. To manage these units, the contracting activity required, on a monthly basis, a copy of their invoices along with a copy of their call logs in order that they could be reviewed at the contracting activity. This review not only helped keep the local units on track, but it also helped to meet the BPA review requirements of the FAR.

b. Marine Corps Base, Camp Pendleton, CA

The last PMR at Marine Corps Base, Camp Pendleton, California was conducted during the period of 21 October to 1 November 1985. Areas of concern noted during the PMR include: [Ref 9]

- A recognition of the activity's utilization of BPA and imprest fund procedures on approximately 65% of the contracting activity's small purchases during FY 85. This was among the highest percentages in the Marine Corps.
- A recognition of the activity's preferred use of oral solicitations, and their use of written quotations only when absolutely necessary.
- A recognition of the activity's efforts to ensure the prices paid for BPA purchases were fair and reasonable; i.e., good attention to proper pricing practices.
- A recognition of the activity's achievement of a noteworthy 97.5% competition rating for dollars awarded during FY 85.

- A finding by the PMR team that the activity did not always justify, in writing, the lack of competition for those small purchases over the competitive dollar threshold which were not made on a competitive basis.
- A recommendation by the PMR team that the activity look into using BPA's within the contracting activity itself. The activity was establishing BPA's for local units and was adequately monitoring those BPA's. However, the contracting activity itself did not have any BPA's for its own use. The PMR team recommended they establish some BPA's to help increase their efficiency, especially in the product areas of books, subscriptions, and paint.
- A recommendation by the PMR team that the activity should look into the policy of establishing a single BPA per vendor instead of the current policy of establishing multiple BPA's with the same vendor. This policy would cut down on the administrative burden of preparing multiple BPA's and having to conduct the required reviews of those multiple BPA's.
- A recommendation by the PMR team that the activity look into the high volume/low value purchases made through the imprest fund. The administrative costs of purchasing through the imprest fund may dictate that very low value items (e.g., \$10) purchased on a repetitive basis should be made through a BPA instead of the imprest fund.

c. Marine Corps Air Ground Combat Center, Twentynine

Palms, CA

The last PMR at Marine Corps Air Ground Combat Center, Twentynine Palms, California was conducted during the time period of 24 January to 2 February 1989. Areas of concern noted during the PMR include: [Ref 10]

- A statement by the PMR team that the pricing of small purchases was basically very good.
- A recommendation by the PMR team that the activity increase its use of the imprest fund for purchases under \$500.

- A finding by the PMR team that activity buyers had used purchase orders for several small purchases; when BPA's, already in existence, could have been used to increase the efficiency of the purchases.
- A recommendation by the PMR team that BPA calls under \$500 be accomplished through the imprest fund.
- A recommendation by the PMR team that the rental of "Porta-Johns" be accomplished through a formal contract instead of through the use of BPA's and separate purchase orders. This recommendation was based on the high volume and cost of "Porta-John" rentals and the need to provide the Government with some protection against the loss or destruction of these items.
- A finding by the PMR team that two unauthorized individuals were making calls against existing BPA's. The PMR team related this problem to the fact that the activity was not judiciously sending out termination letters deleting those personnel who were no longer authorized to make calls against specific BPA's.
- A finding by the PMR team that there were two BPA's which had had only one call per BPA since October 1987 (a 17-month time frame).
- A finding by the PMR team that the overall PALT time must be reduced. The PMR team recommended the increased use of BPA's and the imprest fund to accomplish the task of reducing PALT.

d. Marine Corps Recruit Depot, San Diego, CA

The last PMR at Marine Corps Recruit Depot, San Diego, California was conducted during the period of 23 to 27 June 1986. Several areas of concern noted during the PMR include: [Ref 8]

- A finding by the PMR team that adequate justification did not always exist for not competing those purchases over the competitive dollar threshold. Additionally, those purchase files did not contain adequate information to establish that the prices paid were fair and reasonable. Many of those noted purchases were based on purchase

requests citing specific brand names, without any "or equal" designations.

- A finding by the PMR team that the activity was requiring vendors to submit individual invoices for each BPA call, instead of allowing the vendor to use the summary invoice method. The use of individual invoices only adds to the administrative burden of the activity and does not allow for the maximum amount of efficiency, which can be obtained from the use of BPA's.
- A finding by the PMR team that the activity needs to improve their BPA control procedures so that the same person is not: (1) initiating the requirement, (2) placing the BPA call, or (3) receiving, inspecting or accepting materials. This finding was especially directed at those local units which have BPA authority.
- A recommendation by the PMR team that the activity use an established requirements contract instead of BPA's when the prices on the requirements contract are lower than those quoted from a BPA vendor.

e. Marine Corps Recruit Depot, Parris Island, SC

The last PMR at Marine Corps Recruit Depot, Parris Island, South Carolina was conducted during the period of 21 to 30 June 1988. Areas of concern noted during the PMR include: [Ref 11]

- A recommendation by the PMR team that the activity use the imprest fund instead of established BPA's for purchases under \$500. The team conceded that Naval Audit Service audits in the past had advocated using BPA's instead of the imprest fund, but they said that the new acquisition philosophy at HQMC was that the imprest fund was the better method for all purchases under \$500. The PMR team noted that of the BPA calls they audited, 90% could have been made with the imprest fund.
- Recognition of the activity for its excellent control of BPA's used by local units.
- A finding by the PMR team that several BPA's were established for items that were on mandatory Federal Supply

Schedules. The team acknowledged that there was a possibility of using these BPA's, but only after the activity justified why it could not get the needed items from the mandatory schedules.

- A finding by the PMR team that formal Government schooling for the civilian GS-1105 series is lacking, with only one of these personnel at the activity having attended any formal schools. The PMR team noted the lack of funding as the primary reason for the lack of training.
- A statement by the PMR team that the activities average PALT for small purchases was just under ten days. The PMR team considered this to be an average figure.

f. Marine Corps Logistics Base, Barstow, CA

The most current PMR for Marine Corps Logistics Base, Barstow, California was not available for review by the researcher.

C. BPA USAGE-RELATED INFORMATION

1. General

Currently, Marine Corps field contracting activities do not have the automated capabilities to separate all small purchasing actions by the purchasing method. Therefore, it was impractical to determine, through manual counting, the exact number of small purchasing actions accomplished through the use of BPA's. However, it is the author's assumption that, due to the inherent advantages of BPA's, Government buyers will choose to use BPA's whenever possible. In addition, the greater the number of BPA's established for local units, the more they will use BPA's. This second assumption is based on the premise that local units will

prefer to use their own personnel and BPA's to accomplish a purchasing action, rather than taking the extra time to send their purchase request through the local field contracting activity. The above reasoning leads to the final assumption that the greater the number of established BPA's, the greater the usage of BPA's for small purchases. Using this last assumption, the following paragraphs provide data on the number of established BPA's at three field contracting activities. Only three field contracting activities are included here because pertinent information was not readily available from the other contracting activities.

2. Marine Corps Base, Camp Pendleton, CA

Current BPA data for Marine Corps Base, Camp Pendleton, California are presented in the following subparagraphs. [Ref 13]

a. Number of BPA's Established

The Camp Pendleton field contracting activity currently has 291 BPA's established with various small businesses throughout the local area and Southern California.

b. BPA-Authorized Local Units

The Camp Pendleton field contracting activity has established BPA's for 37 local units. The local units vary from Base Facilities Maintenance and Base Special Services to the Division's Tank Battalion.

c. Number of BPA's Per Local Unit

The number of BPA's established per local unit ranges from one BPA for several local units to 156 BPA's for the Base Facilities Maintenance Division.

d. Commodities Associated With Each BPA

The Camp Pendleton contracting activity did not have a separate listing of the commodities associated with each BPA. Therefore, it was not feasible to find out how many BPA's were established per commodity area.

3. Marine Corps Recruit Depot, San Diego, CA

Current BPA data for Marine Corps Recruit Depot, San Diego, California are presented in the following subparagraphs. [Ref 17]

a. Number of BPA's Established

The San Diego field contracting activity currently has 50 BPA's established with various small businesses throughout the local area and Southern California.

b. BPA-Authorized Local Units

The San Diego field contracting activity has established BPA's for seven local units. The local units vary from Depot Motor Transport to the Landing Force Training Command (LFTC).

c. Number of BPA's Per Local Unit

The number of BPA's established per local unit could not be determined from the information received by the researcher.

d. Commodities Associated With Each BPA

The San Diego contracting activity did not have a separate listing of the commodities associated with each BPA. Therefore, it was not feasible to find out how many BPA's were established per commodity area.

4. USMC Air Ground Combat Center, Twentynine Palms, CA

Current BPA data for MCAGCC, Twentynine Palms, California are presented in the following subparagraphs. [Ref 24]

a. Number of BPA's Established

The MCAGCC field contracting activity currently has 153 BPA's established with various small businesses throughout the local area and Southern California.

b. BPA-Authorized Local Units

The MCAGCC field contracting activity has established BPA's for ten local units. The local units vary from Facilities Maintenance to the Information Systems Management Office (ISMO).

c. Number of BPA's Per Local Unit

The number of BPA's established per local unit ranges from one BPA for the Combined Drug and Alcohol Control

Center (CDACC) to 97 for Facilities Maintenance. Additionally, the MCAGCC contracting office was able to provide the following data (Table II) on BPA usage by local units during fiscal year 1989. [Ref 24]

TABLE II		
MCAGCC BPA USAGE BY LOCAL UNITS		
<u>BPA Authorized Local Unit</u>	<u>FY-89 Dollars Spent</u>	<u>Total BPA Calls</u>
Facilities Maintenance	\$ 659,311.82	1029
Direct Stock Support Control	483,049.97	509
Information Systems		
Management Office	8,252.61	29
Training and Audiovisual		
Support Center	37,472.41	100
Combined Drug, Alcohol		
Control Center	31,733.01	14
Morale, Welfare, Recreation	3,347.24	13
Garrison Mobile Equipment Div.	71,129.43	252
Information Systems Support Sec.	125,182.51	118
Environmental	23,233.10	10
Property Control	7,800.68	10
Housing	<u>16,279.50</u>	<u>17</u>
TOTALS	\$1,458,991.58	2102

a. Commodities Associated With Each BPA

The MCAGCC contracting activity had the commodities listed by nomenclature for each BPA, but not by Federal stock classification number. Therefore, it was not feasible to find out how many BPA's were established per commodity area.

D. SUMMARY

Both the data accumulated from the PMR's and from the activitys' BPA lists seem to demonstrate an active use of BPA's by the Marine Corps field contracting activities. The data on local unit BPA usage; reported by MCAGCC, Twentynine Palms, California (i.e., 2102 BPA calls in FY-89 valued at \$1,458,991.58), very clearly demonstrate a high active use of BPA's by that particular contracting activity.

Although there appears to be some minor problems in the usage and control of BPA's, the overall conclusion is that field contracting activities are attempting to maximize their efficiency by opting for the BPA as the primary method for making small purchases. Chapter V will provide the overall analysis of current Marine Corps BPA usage, along with the researcher's conclusions and recommendations.

V. CONCLUSIONS AND RECOMMENDATIONS

A. GENERAL

This thesis dealt with the use of blanket purchase agreements (BPA's) by Marine Corps field contracting activities. Its primary intention was to determine if the Marine Corps field contracting activities, as a whole, were using BPA's in the most efficient and effective manner possible. Since each of the field contracting activities must deal with their own particular set of circumstances (mission requirements, geographic location, etc.), they cannot be compared on an equitable basis. Therefore, comparisons of the various contracting activities will not be done. Only an overall analysis of the Marine Corps field contracting activities' use of BPA's will be presented in this chapter.

Answers to the research questions, overall conclusions, and recommendations to increase the use of BPA's will be summarized in the following sections of this chapter.

B. SUBSIDIARY AND PRIMARY RESEARCH QUESTIONS

The primary and subsidiary research questions noted in Chapter I were designed to provide a foundation for conducting the necessary research for this thesis. These questions will be answered in this section of the thesis.

1. Subsidiary Questions

a. Question Number 1: What are blanket purchase agreements and how are they used?

Chapter II presented the answer to this question. It outlined the various small purchasing methods and highlighted the the uses and advantages of BPA's.

b. Question Number 2: What are the current regulations regarding the use of blanket purchase agreements?

Chapters II and III covered this question. Chapter II outlined the Federal and DoD regulations, while Chapter III provided the regulations promulgated by the Marine Corps and the separate field contracting activities.

c. Question Number 3: What is the Marine Corps policy concerning the use of blanket purchase agreements?

The basic Marine Corps policy regarding blanket purchase agreements is that BPA's should be used to the maximum extent possible (within regulations) due to their inherent efficiencies (i.e., low administrative costs, decreased FALT, decreased paperwork, etc.). However, as noted later in the recommendations section, some Marine Corps regulations do not back up this policy of maximum BPA usage.

d. Question Number 4: How are blanket purchase agreements used by Marine Corps field contracting activities?

Chapter IV answered this question by providing PMR results and BPA usage data for some of the field contracting activities. Overall, it appears that the field contracting activities are attempting to maximize their use of BPA's. The recommendations section of this chapter will provide some suggestions for improving current BPA usage.

e. Question Number 5: What are the principal problems in establishing and using blanket purchase agreements?

The establishment and actual use of BPA's are fairly easy functions. However, the main problems arise in the decision processes involved with establishing and using BPA's. In establishing BPA's, the FAR and the Marine Corps purchasing manual both state that BPA's should be established for repetitive needs. However, there is no definition of what constitutes a repetitive need. Contracting officers at the separate contracting activities decide for themselves when a BPA should be established for a particular repetitive need. Thus, what may constitute the establishment of a BPA at one field contracting activity, may not necessitate the establishment of a BPA at another contracting activity. This lack of consistency inhibits the effective use of BPA's.

Problems with the actual use of BPA's are often associated with the individual buyers. No matter what the

regulations are concerning the use of BPA's, the final decision to use or not to use a BPA rests with each individual buyer. Unless buyers are properly trained in selecting the small purchasing method that provides the greatest efficiency for each particular purchase, problems will arise. The recommendations section of this chapter includes some comments on the training of small purchase buyers.

f. Question Number 6: How might the use of blanket purchase agreements be modified to improve the efficiency of Marine Corps field contracting activities?

This question is covered in the recommendations section of this chapter.

2. Primary Research Question

The primary research question for this thesis was: What is the status of blanket purchase agreement usage within the Marine Corps and how might the efficiency and effectiveness of blanket purchase agreements be increased?

The basic answer to the primary research question is that the Marine Corps is attempting to maximize its use of BPA's in order to capitalize on the efficiencies inherent in their use. Recommendations on increasing efficiency and effectiveness are included in the recommendations section of this chapter.

C. CONCLUSIONS

1. BPA's Versus Other Small Purchasing Methods

The Government buyer's choice of small purchasing methods is dependent upon a number of factors; including urgency of need, dollar value, product/service complexity, Marine Corps and local regulations, etc.. The buyer must weigh these various factors, along with the general advantages and disadvantages of the different small purchasing methods, and come up with the most efficient and effective method of making each of his purchases. When permitted by regulation, the BPA appears to be the best overall small purchasing method available. The advantages of using BPA's, including decreased administrative effort, paperwork, and PALT, should make the BPA the primary choice of all small purchase buyers.

2. Policies and Regulations Governing BPA Usage

Federal, DoD, and Marine Corps policies and regulations basically encourage the use of BPA's by field contracting activities. Although there are a few regulations which prohibit the use of BPA's, the majority of them stress the advantages of BPA's over other purchasing methods. The Marine Corps purchasing manual [Ref 5] limits BPA's to small purchases of \$10,000 or less, and this is more stringent than the FAR [Ref 1] which allows the use of BPA's for small purchases up to \$25,000 (the dollar limit of small purchases). This decreased dollar limitation inhibits the use of BPA's and thus

causes field contracting activities to use other small purchasing methods which are less efficient than the BPA. There appears to be no logical need for this decreased dollar threshold.

Local BPA regulations promulgated by the various field contracting activities also encourage the use of BPA's by both their buyers and by authorized local units. However, as noted in Chapter III, the purchasing authority given to activity buyers and authorized local units varies among the field contracting activities. This variance is based on the fact that the purchasing authority is given at the discretion of the contracting officer at each of the field contracting activities. BPA usage appears to fluctuate with the level of purchasing authority; i.e., the greater the dollar threshold, the more the BPA's are used by activity buyers and authorized local units.

3. Past PMR Discrepancies

The BPA-related PMR discrepancies noted for each of the field contracting activities have been basically corrected since the referenced PMR's were conducted. The BPA discrepancies were not major errors that significantly affected BPA usage or small purchase efficiency and effectiveness. Rather, the discrepancies were of the type one would expect to see in any military organization. The rotation of personnel, both military and civilian, prevents the completion of learning

curves that would decrease the occurrence of administrative errors in contracting activities. Therefore, administrative errors and discrepancies will occur due to the changeover of personnel and the hiring of less experienced personnel to fill GS-1105 (small purchase buyer) billets. This is simply a fact of life: Experienced people retire or move on to other jobs and new people (with less experience) need to be hired to fill the vacancies. The field contracting activities, by having only minor discrepancies, have been able to deal with this turnover problem through establishing good regulations and procedures that ensure continuity within the civilian workforce.

4. Local Unit BPA Usage

Although it was not feasible to collect the actual BPA usage figures for each of the field contracting activities, the number of established BPA's and BPA-authorized local units clearly establish that they are attempting to maximize their usage of BPA's.

The quantity of small purchases made by the field contracting activities (see Appendix A) does not always allow time for the buyers to analyze each purchase situation and come up with the best purchasing method. Thus, there are still some small purchases being made through inefficient methods, and therefore there is always room for improvement.

However, the misuse of small purchasing methods appears to be the exception, rather than the rule.

D. RECOMMENDATIONS

1. Government Regulations and Policies

The following recommendations are made concerning Government regulations and policies.

- The Marine Corps should increase its BPA dollar threshold to \$25,000; the same dollar threshold published in the FAR.
- The Marine Corps should update its regulations concerning small purchase procedures. The Marine Corps purchasing manual was last updated in 1985 and many procurement changes have taken place since then. The manual is currently being revised at Headquarters, Marine Corps [Ref 2].
- The field contracting activities should also update and improve their local regulations regarding BPA and small purchase procedures. Overall, the various regulations were out of date and poorly organized. The most important improvement to local regulations should be the addition of a small purchase method checklist for small purchase buyers to follow. This checklist should emphasize the important advantages of BPA's by requiring buyers to mentally justify why they cannot or should not make a purchase through the use of a BPA.
- The Marine Corps should require some standardization among the various regulations published by the separate field contracting activities. Each activity should be required to publish a Standard Operating Procedures (SOP) order similar in format to all other contracting activities. This would eliminate the current variety of local regulations, which range from Contracting Officer letters to "How-to" pamphlets. Additionally, the SOP's should standardize certain forms (e.g., BPA review checklists and BPA call logs) used by all contracting activities. This would provide some continuity between activities; which would be of benefit to PMR personnel and also to those personnel who may end up working at different activities over the course of their careers.

2. Increasing BPA Usage

The following recommendations are made to improve the usage of BPA's by field contracting activities.

- Field contracting activities must increase their usage of automation in order that they can accurately monitor the usage of BPA's in comparison to other small purchasing methods. The current automated system (BCAS) is either inadequate or poorly used by the field contracting activities. In either case, the activities cannot get good data on BPA usage and thus cannot take immediate action to correct buyer deficiencies (e.g., lack of appropriate training); and thus, increase overall purchasing efficiency. If the current system is at fault, then the Marine Corps needs to purchase a more efficient and user-friendly computer system.
- Field contracting activities need to continue to encourage the use of BPA's by local units. Through proper coordination with local unit supply officers, the contracting officer can spread the word about the benefits local units can expect to gain from the use of unit BPA's. The increased use of BPA's by local units allows those units to control the PALT associated with their purchases, while decreasing the workload on the contracting activity's buyers. Thus, activity buyers have more time to spend on their other purchases; which should allow for increased purchasing efficiency.
- As mentioned above, the Marine Corps should increase the purchasing authority for field contracting activities to \$25,000. This increase will greatly facilitate the use of BPA's for many more small purchases.
- The Marine Corps should define what it means by repetitive needs, so that there is some consistency in the establishment of BPA's. This will provide the contracting activities with solid guidance on when to establish BPA's; thus, reducing decision inefficiencies.

3. Increasing BPA Efficiency

The following recommendations are provided to increase BPA efficiency at the field contracting activities.

- The FAR authorizes the use of one BPA to cover all commodities a vendor may have to offer the Government. This procedure eliminates the need to have multiple BPA's with one vendor in order to cover the vendor's various commodities. Several field contracting activities had multiple BPA's with the same vendor. This adds administrative burden to the activity and should be eliminated by the use of one multi-commodity BPA per vendor.
- Whenever BPA's are established for local units, there should be a minimum of two BPA's per commodity area. This ensures some competition, provides for a more equal treatment of local vendors, and helps to increase or maintain the local business base. If a local unit has only one BPA, then it will make all its purchases from one vendor. Even at a limited dollar threshold of \$1000, that can add up to a lot of money spent on just one vendor. Additionally, by having only one BPA, local units may experience occasional difficulties in getting their required items; and thus, they will be forced to use the services of the contracting office. Such a situation would unnecessarily add to the workload of the activity buyers.

4. Training

Although not a factor in determining the actual current usage of BPA's, the training of Government buyers is a critical area which has significant influence on the usage of BPA's. While regulations are important in setting up the actual process of selecting BPA's, the final decision to use a BPA rests with the individual buyers. If their training does not provide them with the background knowledge necessary to make the correct decisions regarding the optimal purchasing method, then all the good regulations in the world will be of little benefit. Thus, it is highly recommended that all contracting officers review their training objectives to

ensure that their small purchase buyers are trained in how to choose the most efficient and effective purchasing method available.

E. FUTURE CHANGES TO SMALL PURCHASE PROCEDURES

Currently, Marine Corps Base, Camp Lejeune, North Carolina is conducting a credit card test for the Marine Corps [Ref 29]. The basic premise behind this test is to see whether a commercial style credit card can be used to make certain small purchases. The credit card system is designed to be used by buyers from both the contracting activity and authorized local units. The credit card system's primary objective is to eliminate imprest fund purchases and decrease costs through the use of monthly invoices; just as commercial credit cards are paid on a monthly basis. However, it is assumed that the ease of making purchases with the credit card will also decrease the use of BPA's by both the contracting activity and local units. This is especially true for local units, which make the majority of their small purchases through the use of local unit BPA's.

The credit card test at Camp Lejeune is going smoothly and it appears that the credit card system will soon be implemented at other Marine Corps purchasing offices [Ref 27]. Its impact on not just BPA usage, but the entire small purchase program warrants further study.

APPENDIX A

SMALL PURCHASE ACTIONS AND DOLLARS FOR SELECTED MARINE CORPS FIELD CONTRACTING ACTIVITIES (FY87-FY89)

FIELD CONTRACTING ACTIVITY		SMALL PURCHASE ACTIONS	TOTAL PURCHASE ACTIONS	PERCENTAGE	SMALL PURCHASE DOLLARS	TOTAL PURCHASE DOLLARS	PERCENTAGE
USMC BASE	FY 87	22,749	23,076	98.58%	\$26.8M	\$59.0M	45.51%
CAMP	FY 88	19,198	19,484	98.53%	\$24.3M	\$51.3M	47.43%
PENDLETON	FY 89	26,864	27,124	99.04%	\$28.3M	\$49.8M	56.85%
CALIFORNIA							
USMC BASE	FY 87	26,018	26,340	98.78%	\$25.2M	\$25.9M	47.64%
CAMP	FY 88	23,568	23,910	98.57%	\$24.1M	\$51.5M	46.87%
LEJEUNE	FY 89	27,634	27,916	98.99%	\$28.3M	\$52.0M	54.30%
N CAROLINA							
RECRUIT	FY 87	4,873	4,934	98.76%	\$ 4.6M	\$ 7.6M	59.79%
DEPOT	FY 88	5,117	5,179	98.80%	\$ 4.4M	\$ 7.1M	62.41%
SAN DIEGO	FY 89	5,020	5,020	100.00%	\$ 4.5M	\$ 4.5M	100.00%
CALIFORNIA							
RECRUIT							
DEPOT	FY 87	8,575	8,618	99.50%	\$ 5.6M	\$ 8.1M	69.47%
PARRIS	FY 88	5,261	5,329	98.72%	\$ 4.3M	\$ 8.1M	53.06%
ISLAND	FY 89	3,424	3,476	98.50%	\$ 4.8M	\$ 7.1M	67.75%
S CAROLINA							
MCAGCC	FY 87	8,427	8,458	99.63%	\$ 7.2M	\$11.6M	62.20%
TWENTYNINE	FY 88	11,440	11,494	99.53%	\$ 6.5M	\$13.4M	48.43%
PALMS	FY 89	9,824	9,859	99.64%	\$ 7.9M	\$12.5M	63.48%
CALIFORNIA							

FIELD CONTRACTING ACTIVITY		SMALL PURCHASE ACTIONS	TOTAL PURCHASE ACTIONS	PERCENTAGE	SMALL PURCHASE DOLLARS	TOTAL PURCHASE DOLLARS	PERCENTAGE
MCCDC	FY 87	38,873	38,981	99.72%	\$32.2M	\$44.2M	72.88%
QUANTICO	FY 88	30,267	30,384	99.61%	\$43.4M	\$53.6M	81.06%
VIRGINIA	FY 89	22,497	22,584	99.61%	\$25.6M	\$39.4M	64.84%
LOGISTICS	FY 87	11,604	11,653	99.58%	\$ 8.9M	\$13.0M	67.92%
BASE	FY 88	10,685	10,748	99.41%	\$ 8.5M	\$13.2M	64.69%
BARSTOW	FY 89	12,633	12,697	99.50%	\$ 9.8M	\$16.7M	58.60%
CALIFORNIA							
LOGISTICS	FY 87	11,011	11,395	96.63%	\$13.0M	\$119.7M	10.84%
BASE	FY 88	10,236	10,642	96.18%	\$11.3M	\$108.1M	10.49%
ALBANY	FY 89	10,011	10,316	97.04%	\$15.7M	\$ 96.4M	16.29%
GEORGIA							
**TOTAL	FY 87	383,939	385,239	99.66%	\$341.0M	\$559.8M	60.92%
	FY 88	390,485	392,495	99.49%	\$348.7M	\$557.9M	62.50%
	FY 89	298,537	300,398	99.38%	\$308.3M	\$600.5M	51.34%

****TOTAL** includes all Marine Corps Field Contracting Activities, including West Coast Commissary Complex, East Coast Commissary Complex, Marine Corps Finance Center, and various limited and minor purchasing activities.

APPENDIX B

SMALL PURCHASE DEFINITIONS

The following definitions and explanations are published in the various references used for this thesis. They are provided here to aid the reader in understanding the terminology used in the purchasing (in particular, small purchases) field.

Certificate of Competency: The certificate issued by the Small Business Administration (SBA) stating that the holder is responsible (with respect to all elements of responsibility, including but not limited to capability, competency, capacity, credit, integrity, perseverance, and tenacity) for the purpose of receiving and performing a specific Government contract.

Commerce Business Daily: A Department of Commerce publication synthesizing Government contracting and subcontracting opportunities. [Ref 6]

Delivery Order: An order for supplies placed against an established contract or with Government sources of supply. [Ref 1]

Evidence of Competition: (a) For purchases under \$2500; evidence of competition must include documentation that verifies equitable distribution of buys and documentation of price quotations received from other than the previous supplier. (b) For purchases over \$2500; written evidence of competition must include solicitation of at least three bids, documentation of price quotations, copies of publicity used to advertise the solicitation, sole source justification if applicable, statement of the status of the business being dealt with (Small Business, Disadvantaged Business, etc.), copies of applicable pages from catalogs or printed price lists used for price quotations, documentation to justify minimum order quantities when necessary, etc.. [Ref 6]

Fair and Reasonable Price: The buyer's judgement, based on a comparison of the proposed price with previously accepted reasonable prices found in prior purchase files, current price lists, catalogs, advertisements, similar

item prices, value analysis, personal knowledge, or any other means. [Ref 6]

Fair Market Value: Current prices that (1) are established in the course of ordinary and usual trade between buyers and sellers free to bargain and (2) can be substantiated by data from sources independent of the manufacturer or vendor.

Imprest Fund: A cash advance of a fixed amount established in advance, without charge to an appropriation, from an agency finance or disbursing officer to a duly appointed cashier, for disbursement as needed in making payment in cash for small purchases. [Ref 1]

Jewel Bearing: A piece of synthetic corundum (sapphire or ruby) of any shape, except a phonograph needle, that has one or more polished surfaces to provide supporting surfaces or low-friction contact areas for revolving, oscillating, or sliding parts in an instrument, mechanism, subassembly, or part. [Ref 1]

Labor Surplus Area: A geographic area identified as an area of concentrated unemployment or underemployment or an area of labor surplus.

Purchase Order: An offer by the Government to buy certain supplies or nonpersonal services and construction from commercial sources, upon specified terms and conditions, the aggregate amount of which does not exceed the small purchase limit. [Ref 1]

Quotation: Price, delivery, or other terms and conditions offered by a potential supplier for supplies or services to be rendered. [Ref 6]

Required Documentation for Small Purchasing: All written records that are required by regulations to be kept in a contract file. Some examples are: written proof of determination of fair and reasonable price, written sole source justifications if applicable, and all written data associated with the small purchase. [Ref 6]

Set-aside for Small Business: The reserving of an acquisition exclusively for participation by small business concerns. A set-aside may be open to all small businesses or, except in the Department of Defense, restricted to small businesses located in labor surplus areas. A set-aside of a single acquisition or a class of acquisitions may be total or partial. [Ref 6]

Small Business Concern: A concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and does not employ more people than the size standard for its industry. [Ref 6]

Small Business and Other Socio-Economic Concerns: Firms owned and controlled by socially and economically disadvantaged individuals as defined by the Small Business Administration. [Ref 6]

Small Disadvantaged Business Concern: A small business concern that (a) is at least 52 percent owned by one or more individuals who are both socially and economically disadvantaged, or a publicly owned business having at least 51 percent of its stock owned by one or more socially and economically disadvantaged individuals; and (b) has its management and daily business controlled by one or more such individuals. [Ref 6]

Socially Disadvantaged Individuals: Individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their qualities as individuals. [Ref 6]

Socio-Economic Program: A Federal acquisition law, policy, or procedure designed to promote, advance, or achieve social benefits through economic and contractual means. [Ref 6]

Sole Source Justification: A positive statement that documents the reasons for sole source procurement and establishes the authority for procuring requirements from one source without explicit price competition. [Ref 6]

Unpriced Purchase Order: An unpriced purchase order is a purchase order for supplies or services for which the price is not established at the time of issuance of the order. [Ref 6]

APPENDIX C

LIST OF ACRONYMS AND ABBREVIATIONS

BOA	Basic Ordering Agreement
BPA	Blanket Purchase Agreement
CICA	Competition in Contracting Act of 1984
COC	Certificate of Competency
DFARS	Department of Defense Federal Acquisition Regulation Supplement
DOD	Department of Defense
DON	Department of the Navy
FAR	Federal Acquisition Regulation
GAO	General Accounting Office
GSA	General Services Administration
HQMC	Headquarters, Marine Corps
IFB	Invitation for Bid
LSA	Labor Surplus Area
MCO	Marine Corps Order
NAPS	Navy Acquisition Policy Supplement
NAVSUP	Naval Supply Systems Command
NAVSUPINST	Naval Supply Systems Command Instruction
NCMA	National Contract Management Association
NIB	National Industry for the Blind
NISH	National Industry for the Severely Handicapped

NSN	National Stock Number
OSD	Office of the Secretary of Defense
PALT	Procurement Administrative Lead Time
PMR	Procurement Management Review
PR	Purchase Request
RFQ	Request For Quotation
SADBU	Small and Disadvantaged Business Utilization
SBA	Small Business Administration
SECDEF	Secretary of Defense
USC	United States Code

APPENDIX D

BLANKET PURCHASE AGREEMENT GOVERNING RULES AND REGULATIONS

<u>Reference</u>	<u>Subject</u>
1. FAR 4.7004-4	Numbering
2. FAR 4.8 DFARS 214.8	Documentation
3. FAR 5.1	Dissemination of Information
4. FAR 5.2	Synopses of Proposed Contracts
5. FAR 8	Required Sources of Supply
6. FAR 13.105	Small Business--Small Purchase Set-Asides
7. FAR 13.106	Competition and Price Reasonableness
8. FAR 13.107	Solicitation and Evaluation of Quotations
9. FAR 13.201	BPAs, General Information
10. FAR 13.203	Establishment of BPAs
11. FAR 13.204 DFARS 213.204	Purchases Under BPAs
12. FAR 13.205	Review Procedures
13. FAR 13.206	Completion of BPAs
14. FAR 22 NAPS 22	Applicability of Labor Laws
15. FAR 52 DFARS 213.203-2 DFARS 52	Clauses

16. NAVSUPINST 4200.85

Naval Supply Systems Command
Policy and Procedures

17. MCO P4200.15 (Chapter 6)

Marine Corps Purchasing
Procedures Manual

APPENDIX E

THESIS QUESTIONNAIRE SENT TO VARIOUS MARINE CORPS FIELD CONTRACTING ACTIVITIES

- REQUEST #1: I would like an organization chart of your activity; to include the various sections such as small purchases, etc. Please include the number of people in each section along with their military rank or civilian grade. For civilian personnel, indicate their job series, i.e., GS 1105, 1102, etc. Also, please denote how the sections are organized, e.g., by commodity, or by job complexity, etc.
- REQUEST #1A: If there is a BPA administrator in your organization, what is his/her basic function in the organization?
- REQUEST #2: I would like a BPA list(s) showing (1) all local units which have BPA authority and the commodity (by federal stock classification number) which they have the authority to purchase, (2) all local businesses which have a BPA with your activity, along with the commodities (by federal stock classification number) for which the BPA's have been open.
- REQUEST #3: I would like a copy of the local BPA log sheet used by your activity and that of local units, if they are different.
- REQUEST #4: If possible, I would like a summary of the BPA calls made by your local units (not those by your buyers) for fiscal year 1989. This should be total number of BPA actions and the total dollar figure for FY '89.
- REQUEST #5: I saw, at one contracting office, a "Procurement Summary Report", generated by BCAS, which showed a breakdown of the total purchasing actions for each individual buyer in the small purchase section. The breakdown showed total actions and then how many of the purchasing actions were done by purchase order, imprest fund, and BPA. Again,

if possible, I would like to get such a report on your small purchase buyers for the entire fiscal year 1989.

REQUEST #6: I would like a copy of your latest Procurement Management Review (PMR), or any advance copy of your PMR results left by the PMR team, if available.

REQUEST #7: For your GS 1105's: What are their initial entry requirements (educational and training backgrounds) and what, if any, are their requirements for continued training or education?

REQUEST #8: Is your GS 1105 series just a stepping stone for later advancement to the GS 1102 series? OR Do you have career type GS 1105's?

REQUEST #9: For local units with BPA authority: What are the requirements (training in particular) for the unit BPA callers?

REQUEST #10: Are your office buyers required to follow set procedures in making a small purchase? For example, are they required to check the BPA list prior to using a purchase order?

REQUEST #11: What criteria do you use for establishing a BPA? (Whether at your purchasing office or at a local military/base unit)

REQUEST #12: When a local unit requests the establishment of a BPA to meet some recurring demand, do you provide them with just one BPA with a single vendor or are they provided with several BPA's to ensure that no single vendor gets all their business?

REQUEST #13: Do your local regulations specify a certain number of calls per established BPA per time period in order to allow that BPA to remain active? If your answer is yes, what is that number and time period?

REQUEST #14: Do you use any other criteria, besides that listed in the last request, to determine whether a BPA should be closed out? If you do, please specify.

REQUEST #15: Do your local regulations require that, prior to making a purchase through a BPA, the BPA vendor

must be able to deliver the required item(s) within a prescribed period of time? If your answer is yes, what is that period of time?

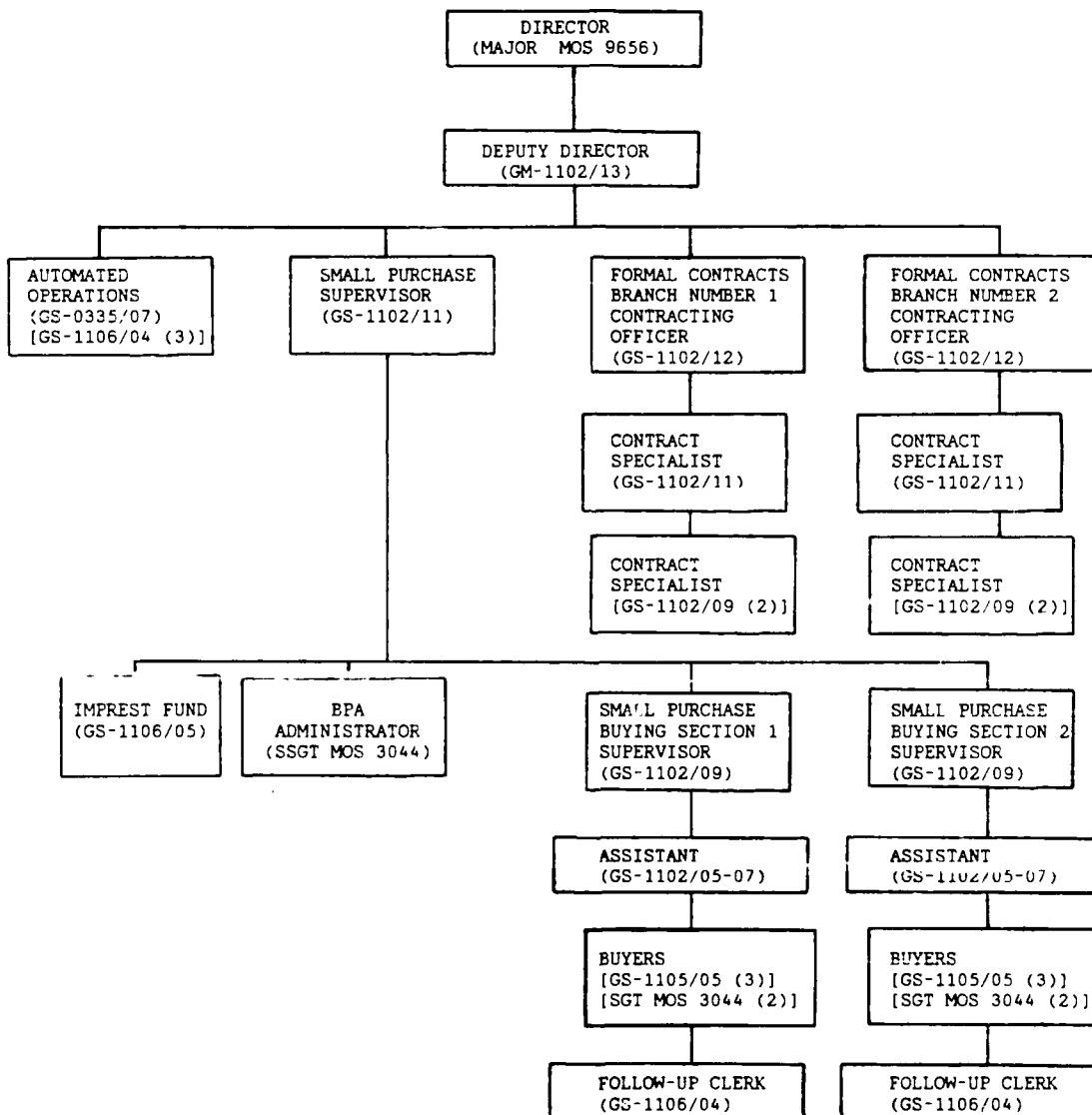
REQUEST #16: In your opinion, do you think the blanket purchase agreement is one of the best methods for making a small purchase? Additionally, do you believe your activity uses BPA's to the maximum extent possible in order to achieve whatever benefits they may provide? (Please feel free to comment on what you believe to be the problems and/or benefits with the use of BPA's.)

REQUEST #17: I would like to send out a survey to some small businesses which currently have a blanket purchase agreement with your activity. If you do not have any problems with this, could you please supply me with the names and addresses of 15 to 20 businesses listed on your BPA list. Please just take every fifth business listed on the BPA list so that the sample is fairly random. If you do have concerns about the survey, please let me know so that I can take them into consideration before mailing out the surveys.

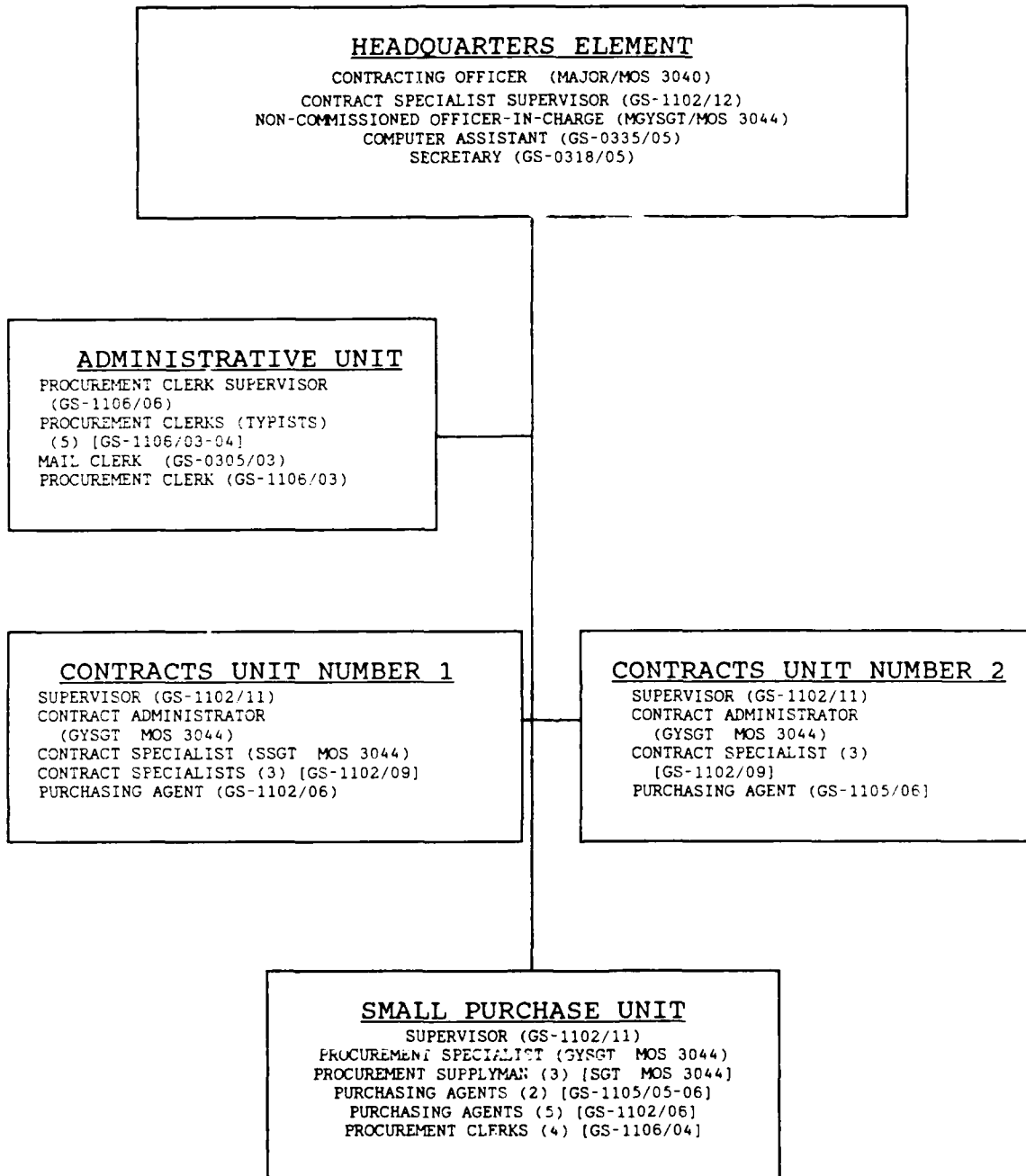
APPENDIX F

ORGANIZATIONAL LINE CHARTS FOR SEVERAL MARINE CORPS FIELD CONTRACTING OFFICES

MARINE CORPS BASE, CAMP PENDLETON, CA

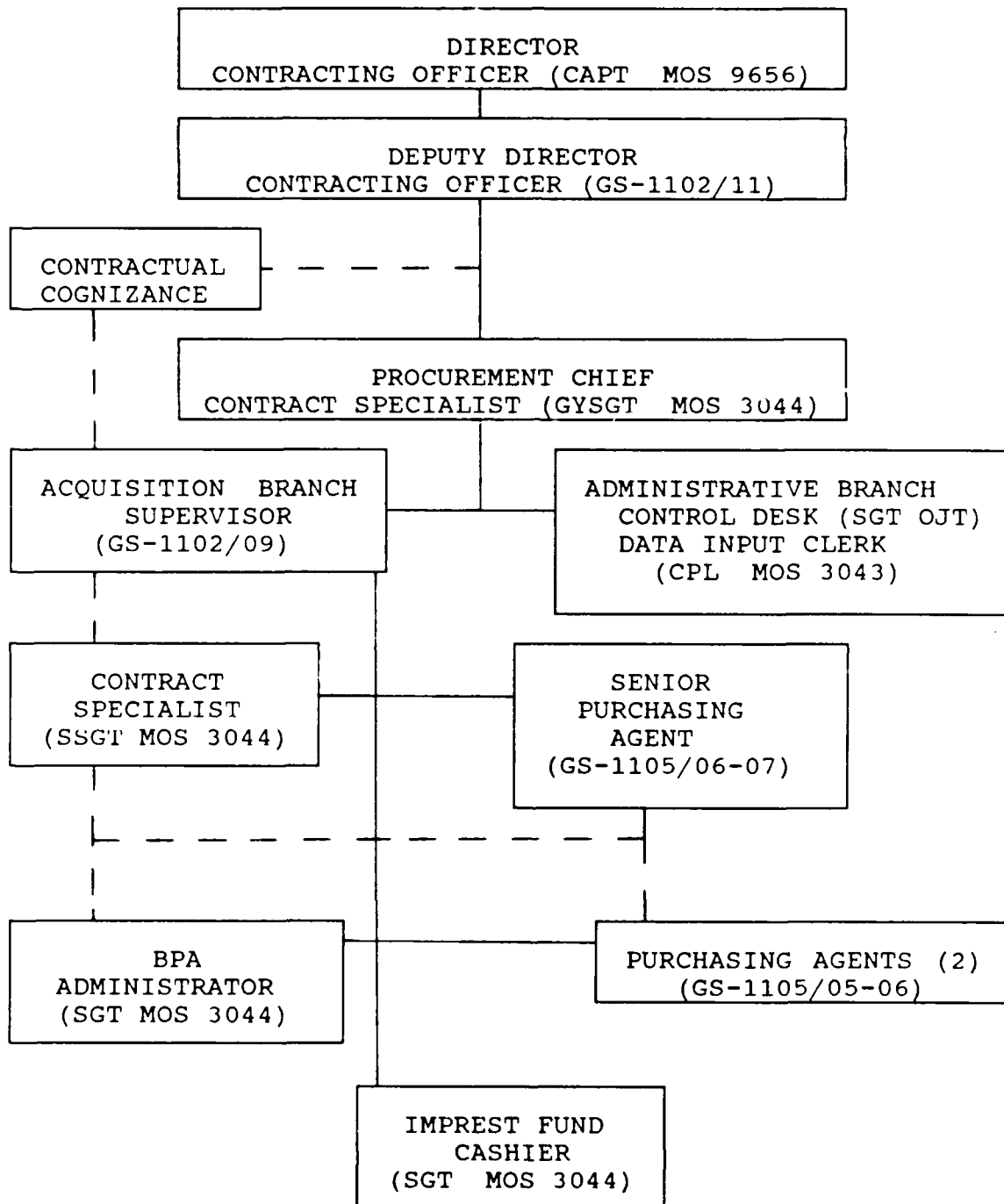


MARINE CORPS BASE, CAMP LEJEUNE, NC



MARINE CORPS RECRUIT DEPOT, SAN DIEGO, CA

CONTRACTING AND PURCHASING BRANCH
SERVICE AND SUPPLY DIVISION



APPENDIX G

SAMPLE BPA-REVIEW CHECKLIST

MARINE CORPS RECRUIT DEPOT, SAN DIEGO, CA

SEMI-ANNUAL REVIEW OF BLANKET PURCHASE AGREEMENT
FOR SATELLITE (LOCAL) UNITS

ACTIVITY: _____

BPA NUMBER: _____

PERIOD COVERED: _____

CALL NO. REVIEWED: _____

<u>ITEM OF REVIEW</u>	<u>YES</u>	<u>NO</u>
1. ARE CALLS BEING PLACED BY AUTHORIZED CALLERS?	___	___
2. ARE CALLS WITHIN MONETARY LIMITATIONS?	___	___
3. IS FILE PROPERLY DOCUMENTED AND MAINTAINED?	___	___
4. IS THERE AN AUTHORIZED PURCHASE REQUEST FOR EACH CALL?	___	___
5. ARE SUPPLY CHANNELS BEING SCREENED PRIOR TO CALLS BEING PLACED (WHEN APPLICABLE)?	___	___
6. ARE CALLS BEING ROTATED?	___	___
7. IS THERE A STANDARD OF CONDUCT ON FILE FOR ALL AUTHORIZED CALLERS?	___	___
8. ARE ITEMS RECEIVED IN THE STATED DELIVERY TIME OR IS THERE DOCUMENTATION AS TO WHAT FOLLOW-UP ACTION WAS TAKEN?	___	___
9. ARE REQUIREMENTS BEING SPLIT TO AVOID MONETARY LIMITS	___	___
10. ARE PAYMENTS BEING PROCESSED PROPERLY AND PROMPTLY?	___	___
11. ARE ASSIGNED CALL NUMBERS BEING USED?	___	___
12. ARE ALL REQUIRED DOCUMENTS IN THE FOLDER BY CALL NUMBER?	___	___

13. REMARKS

SIGNATURE

DATE

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